

Wednesday, 3rd April, 1940

THE COUNCIL OF STATE DEBATES

VOLUME I, 1940

(16th February to 10th April, 1940)

SEVENTH SESSION OF THE FOURTH COUNCIL OF STATE, 1940



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COUNCIL OF STATE.

Wednesday, 3rd April, 1940.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Mr. Arthur deCoetlogon Williams (Nominated Official).

THE HONOURABLE MR. A. DEC. WILLIAMS : Sir, I would like to make a personal explanation as regards a point which I understand was raised in the course of the debate yesterday, as regards the representation of the Defence Department in this Council. There is, I think, a little misapprehension as regards this matter. Under the orders of the Governor General, in the absence of His Excellency the Defence Member, I represent the Defence Department in this Council. Unfortunately, I had to be in charge of certain work in another place in consequence of which I ceased to be a Member of this Council. That work quite unexpectedly lasted over yesterday, longer than was anticipated. It was unfortunate ; but it was unforeseen. I can only express my sincere regret that the Defence Department was unrepresented yesterday.

STATEMENTS, ETC., LAID ON THE TABLE.

COMMERCIAL TREATIES AND NOTES AFFECTING INDIA.

THE HONOURABLE SIR ALAN LLOYD (Commerce Secretary) : Sir, I lay on the table a further list of Commercial Treaties and Notes affecting India and also a copy each of the Agreements mentioned in items 1 and 3 of Part II, and of the Anglo-Muscat Commercial Treaty of 1939 which was mentioned in the statement laid on the table on 17th April, 1939.

PART I.

Agreement under which the products of India receive most-favoured-nation treatment on terms of reciprocity.

Countries which are parties to the Agreement.	Date of Agreement.	Nature of Agreement.	Description.	Remarks.
1. United Kingdom and Egypt.	6th and 16th February, 1939.	Exchange of Notes.	Commerce	These Notes provided for the prolongation until February 16, 1940, of the provisional Commercial Agreement concluded between these Governments by the Exchange of Notes dated 5th and 7th June, 1930.

PART II.

Agreement to which India is a party.

Countries which are parties to the Agreement.	Date of Agreement.	Nature of Agreement.	Description.	Remarks.
United Kingdom and Siam (Thailand).	23rd November, 1937.	Treaty	Commerce and Navigation.	The accession of India to this Treaty which has been effected from 28th June, 1939 is subject to the reservation that appointments of Thai (Siamese) Consular Officers of any rank to reside in India should be restricted to seaport towns.
2. United Kingdom and India.	20th March, 1939.	Agreement	Trade and Tariffs.	Nil.
3. United Kingdom and Egypt.	1939	Agreement	Tonnage Measurement.	This Agreement has been applied to India by an Exchange of Notes dated 20th February, 1939.

PART III.

Denunciation of Agreements.

Nil.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner for Railways) : Sir, I lay on the table the information promised in reply to question No. 44 asked by the Honourable Pandit Hirday Nath Kunzru on the 6th March, 1940.

NUMBER OF QUARTERS RESERVED FOR SUBORDINATE SUPERVISORY STAFF OF THE RAILWAY WORKSHOPS, LILLOOAH.

- (a) 85 sets.
- (b) 75 are occupied by Europeans and Anglo-Indians and 10 by Indians.
- (c) Quarters are allotted to staff in the following order of priority :—
 - (i) staff eligible for rent-free quarters or house rent in lieu ;
 - (ii) staff required to live near their work and liable to be called out for duty at any time ;
 - (iii) other staff.

(d) The answer to the first part is in the negative. As regards the second part, the allotment of quarters is dependent on quarters being available or the provision of new quarters which are provided under the conditions laid down in para. 1901 of the State Railway Engineering Code, a copy of which is in the Library of the House. House rent allowances are granted if admissible under the rules. I am not aware to what facilities the Honourable Member refers, but Government as a general policy do not now grant advances to its employees for the purpose of building their own houses.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 2nd April, 1940, namely :—

A Bill to amend the Defence of India Act, 1939.

A Bill to make better financial provision for the Imperial Council of Agricultural Research.

A Bill further to amend the Insurance Act, 1938.

MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL : Sir, the following message has been received from the Secretary of the Legislative Assembly :—

" I am directed to inform you that the Legislative Assembly at its meeting held on Tuesday, the 2nd April, 1940, agreed without any amendment to the Bill to amend the Parsi Marriage and Divorce Act, 1936, which was passed by the Council of State at its meeting held on the 4th March, 1940. "

INDIAN FINANCE BILL—continued.

THE HONOURABLE THE PRESIDENT : The further debate on the Finance Bill will now proceed.

THE HONOURABLE SIR RAMUNNI MENON (Nominated Non-Official) : Sir, the debate has covered a wide field and I fully realise that it will be practically impossible at this stage to break fresh ground or to advance any new arguments. Nevertheless, I feel that I shall be rendering some useful service by placing before the Council certain considerations in regard to two or three matters which have been raised in the course of the debate or which can be properly included in its scope. In his speech, the financial part of which, I must confess, was figuratively, as the whole of it was physically, above my head, the Honourable Mr. Hossain Imam referred to an extremely important subject which, as he said and in my opinion, has not received the consideration in the Central Legislature or outside to which it is entitled. I refer to the Report on the Archaeological Survey of the Government of India by Sir Leonard Woolley. It is my misfortune that on this particular subject Mr. Hossain Imam did not on this occasion display his characteristic thoroughness. Probably he was too engrossed with his other subjects to do so ; and I regret this all the more because earlier in the session, when he had planned a leisurely trip to this promising place, he unfortunately missed the last boat and we were placed

[Sir Ramuuni Menon.]

in the predicament of not being able to debate an important subject. However, we have to take things as we find them. I am at a loss to know whether Mr. Hossain Imam has come to any conclusions on this Report and what he wants the Government of India to do.

THE HONOURABLE THE PRESIDENT : We are not much concerned with what Mr. Hossain Imam wants the Government to do.

THE HONOURABLE SIR RAMUNNI MENON : No, Sir. I am only referring to it in a general way. But as far as I am able to gather, he seems to think that the Government of India should accept the recommendations of this Report and implement them. If that is his view, I must express my inability to agree with him. Even when it is a Department of the Government that is in the dock, as it undoubtedly is in the present case, I prefer to follow the maxim which is as wise as it is old "*Audi alteram partem*". I should like to know what there is to be said on the other side before I come to any conclusion. I have no doubt something can be said on the other side and I hope whatever has to be said on the other side will be said soon and we shall be placed in possession of it. At the same time I should like to stress one point, and that is that the Government of India should not allow this extremely valuable Report to be shelved. I hope it will proceed with the consideration of it and come to some speedy conclusions on its recommendations. In passing, I must say that the Report is a very severe condemnation of the work of the Archaeological Survey. Whether the condemnation is justified or not is a different matter and I hope we shall be able to know all about it in course of time. And before the Government comes to any final conclusions on the matter I suggest that it should take into consultation the Universities and other interested bodies, and if necessary, other experts also. As you have warned me, Sir, I shall not trespass on your patience by entering into further details on the subject.

THE HONOURABLE MR. HOSSAIN IMAM : Would you not like the House to discuss it ?

THE HONOURABLE SIR RAMUNNI MENON : That is for the President to decide.

Several Honourable Members made references to the expectations that have been raised by certain recent pronouncements by the Honourable the Commerce Member. I share those expectations myself. I should like to see all endeavours being made to promote new industries and to expand existing ones. I have a special reason in hoping for this achievement because I feel that the increased opportunities which such measures will provide for the employment of educated Indians who are now resting in enforced idleness will be most welcome.

In the course of his interesting speech, the Honourable Mr. Richardson made the suggestion that the Government should, in the case of protected industries, not rest satisfied with granting protection from foreign competition but should take steps which will have the effect of checking, if not absolutely preventing, internal competition also, or as he called it, unhealthy internal competition. I admit that he worded his suggestion in unexceptionable language. But I have been wondering what the suggestion would come to in practice. In practice it can only mean one thing, that the Government should intervene in some effective way to stop internal competition. Whether competition is healthy or not is a question which is likely to be viewed from different points of view by different interests. The industrialist will view that

question from his point of view and the general consumer will view it from his point of view. I have no particular objection to any salutary measures being adopted for the encouragement of industries. But I would like to stress that there is a point of view which is not often, or sufficiently, heard mentioned in this place in our general discussion on industrial matters, and that is the point of view of the consumer. Take the case of a protected industry. The consumer obviously will be paying a very high price for the protection, and if in addition to the protection you are stopping internal competition also, how can he feel satisfied? Why should the State intervene and deprive the consumer of the benefits which internal competition will bring to him? The considerations which I have in mind can be put in the form of a few questions. One question I have already stated. Others can be framed thus: what is there, if you remove internal competition, to ensure efficiency or to encourage improved methods of production and management? Then again, what is the assurance—can any body be certain—that the pioneers who start an industry are the best people to do so? Further, what is the guarantee that the first locality of an industry is the ideal locality? Take, for instance, the case of sugar which was particularly mentioned. Why should Madras be deprived of the chance, the opportunity, of starting a new sugar factory in the Presidency if it chooses to do so? Take paper. Why should any part of the Madras Presidency be prevented? These are considerations which are perfectly valid on their intrinsic merits. But, apart from their own merits, there is a further question to be considered; whether the autonomous provinces will be prepared to sit quietly when the Government of India intervenes in matters of this kind.

I have only thrown out what appeared to me certain considerations which it is obviously necessary to bear in mind when we are considering the subject of protection. I am aware that in our present Commerce Member we have a man of knowledge, understanding and sympathy and we can all feel assured that he will give this subject the most sympathetic and careful consideration.

Now I come to the specific proposals of new taxation which are contained in the present Finance Bill. Among the general arguments which have figured in the discussions centering round these taxation proposals there is one which, owing to its general currency and its frequent repetition in this Council and in another place, deserves at least a passing notice, if for no other reason than to point out its unsoundness. That argument is based on the consideration that equity requires a just apportionment of the financial burden created by the war between the present generation and posterity. The argument is based on certain assumptions: that it is possible to distribute the burdens and benefits of war between the present generation and posterity, and further that raising money by taxation is to place a burden on the present generation and to exact a sacrifice from it, whereas raising money by borrowing places a burden on posterity and exacts a sacrifice from posterity. I am not an economist and I have no desire to appear learned. But it is pertinent to state that economists have repeatedly pointed out the fallacy of this argument. A recent, and a very clear, exposition of the true position will be found in one of the latest Oxford pamphlets on World Affairs—the pamphlet on *Paying for the War*, which is written by the editor of the *Economist*. It has been pointed out that whether you raise money by taxation or by loan today, the incidence is upon the present generation. It is out of the income of the present generation that this money comes, and to that extent it is the present generation that makes the sacrifice. Whether on any particular occasion we should raise money by taxation or by loan is a question which has to be decided on the merits of the case and on the circumstances which prevail at the time. I think the Honourable the Finance Member and the Honourable the Finance Secretary

[Sir Ramunni Menon.]

have given very cogent reasons for resorting to taxation to raise the funds required today. In regard to the taxes on sugar and petrol both of them have supplied equally convincing arguments, and in particular I would like to mention the point which the Honourable the Finance Member mentioned in one of his speeches, namely, that sugar in all countries is a very important vehicle for a high tax. In these circumstances I have no hesitation whatever in giving my whole-hearted support to the proposals contained in the Finance Bill.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadian) : Mr. President, this is the first time during the last three years of my membership of this Council that a Finance Bill has come to us in a non-certified form, and consequently is found to be comparatively freer from the odour of autocracy about it. This Bill has also had a better reception in this House than two of its predecessors whose passage I have had occasion to witness. I attach two reasons to that. In the first place there is the war. No one wants to embarrass the Government seriously, whatever may be the differences or points of discord. Secondly, the present Finance Member has been more considerate of public opinion and public sentiment than had been our experience with his predecessors during the last few years. Even with regard to this Bill the Finance Member made a substantial concession by agreeing to enhance the duty on sugar only with effect from the manufacture made after the 1st March, 1940. Sir, although I do not oppose this excess duty, because I know that extra money has got to be found to balance the Budget, yet I would like to clear a misconception which I find has been lingering in the minds of some Honourable Members who think too placidly that this burden of enhancement will fall only on the millowner, that is the manufacturer. It will have to be shared by the agriculturist also because the enhancement of duty is bound to depress the price of sugarcane. Sir, I heard some members talking of the agriculturist and the industrialist as if they were two antagonistic or competitive forces. This to my mind is a wholly wrong conception of the national economics of a country. The grower of raw produce and the manufacturer of finished materials are complimentary to each other. The manufacturer of sugar must see that the cultivation of sugarcane continues to be a paying business for the cultivator before he can hope to get an adequate supply of cane to crush. The agriculturist on the other hand must learn to be content with a reasonable price so as to enable the manufacturer to find a market for his sugar. A high excise duty, however, does not help this way or that. It depresses the price of the raw material, makes it difficult for the finished product to find a market, and also hits the consumer. The only consolation one can derive from it is that the general taxpayer is relieved of direct taxation in some proportion. It is however now time to cry "halt", so that the burden on sugar may not become intolerable. I say so particularly because in some provinces—I know it is so in my province—that taxes on the same commodity emanate from two sources—Central as well as Provincial. Whereas the Central Government taxes sugar, the Provincial Government taxes sugarcane. In no sphere is there more need for co-ordination than in a scheme of taxation, and I feel, Sir, that there should be a better and more effective co-ordination between the Central Government and the Provinces so far as taxation is concerned. The case of petrol is in no way different in this respect. We have the Central excise and we have the Provincial tax. Double taxation on the same commodity makes the poor man's lot difficult. The cost of his living and transport become such as he cannot afford, and particularly when he finds that transport facilities are made expensive.

I have noticed, Sir, that whenever the Finance Bill comes up for discussion most of the time is devoted by Honourable Members to the discussion of the Defence policy of the Government of India. The interest that this House and the other House take in Defence matters is evidenced by the large number of Resolutions and other Motions brought up by Members regarding the nationalization of the army and the Indianization of the officer ranks. The growth of interest on this question is natural and worthy of the vigilance of a Legislature composed mainly of Indians who have an enlightened sense of what the national aspirations of India must be and the important responsibilities that this country must expeditiously assume. India has rapidly gained in political consciousness during the last few years and it is now clear that the Indian will not tolerate domination very long. The status of this country is going to change soon. India will rise to her full stature as a self-governing nation within the British Commonwealth if possible, or outside it if necessary. There is no use mistaking the signs of coming events. Let us like wise men, therefore, so forestall and shape things that a greater measure of reliance, a greater measure of understanding and confidence are fostered between England and India than seem to be in evidence today on the question of giving the Indian his due place in his own country. In this connection the question that we view of the first magnitude is that of making the defence forces of this country completely manned and officered by Indians. The Indian Army has, truly speaking, three functions. It is readily and conveniently available to Britain to fight its imperialistic battles. It affords a free training ground for British soldiers in India. And, finally, it is an army of occupation in this country to hold the Indian down. The reluctance of the Government to make the Army wholly Indian is due to the fact that Indianization does not suit the present purposes of the Army. How can then a country be proud of an army in the direction and shaping of which the nationals of that country have a very subordinate position? The Honourable Mr. Parker, who I am sorry is not here just now, seemed to suggest that the emergency—the war—must take precedence over what he termed to be reforms in the matter of defence. I hold, Sir, a different view. Reforms in defence must be undertaken, if they are to be any use at all, when there is an emergency. The present is the most opportune moment to announce defence reforms and to undertake them as early as possible. I cannot see how the present emergency is going to stand in the way of considering the problem of training Indians for the defence of the country. I feel, Sir, that the very fact that there is this emergency should make Government feel the necessity of taking greater interest in the question and making arrangements for imparting the necessary training to the Indian. The old army is not much use either at the present time, now that the wars are fought by mechanised units. Proper arrangements on a satisfactory scale should be made to train the Indian in the work of defence. That proper type of Indians are not available to take to the army as a career is an exploded myth. No one has the patience to hear it any longer. Then, Sir, there is the advantage and possibility of reducing the expenditure on the army if the army is nationalized, if Indian soldiers replace the British soldiers. The British soldier costs about four times more than the Indian soldier. Then, the Indian soldier is quite as good a soldier as his British brother and in addition to that is better fitted to stay in Indian conditions. It is too late in the day, Sir, for one to be seriously required to argue a case for making the army truly Indian—Indian in command, Indian in personnel and Indian in outlook. But, Sir, the case has all the same to be repeated each year. I have myself done so thrice. Repetition is agitation, and perhaps the only form of agitation constitutionally permissible to a legislator. But on the question of Indianizing the Army we seem to be dealing blows on water which receives no impression. The Defence

[Rai Bahadur Sri Narain Mahtha.]

Department attaches no value to the opinions we hold and generally, although it is not the case today, it does not feel the necessity of sending any representative to enlighten us on anything. This is the age of responsive co-operation. The Government will get only that measure of co-operation and help which they themselves offer. The Indian now chooses to look on everything only from one point of view and that is, what has been done or is being done to improve his status in his own country, and in that respect the record of the Government of India is not very satisfactory and that of the Defence Department is the blackest.

On an occasion like this one would like to refer to the question of high salaries, how they are unsuited to the slender resources of this country. But I would not do so today as I had recently the occasion to refer to them in connection with the General Budget.

Lastly, Sir, when one turns over the pages of the Finance Bill one reaches with regret the postal rates, to discover that hardy annual, the post card. The Postal Department is running at a profit but even then one does not know when after all the poor man is going to get his half-anna post card back. We are all, however, proud of the able management of the Postal Department by Sir Gurnath Bewoor and hope that he will some day soon be so able to arrange things as to see that the post card rate is reduced from 3 pice to 2 pice.

One word about control of prices and I have done. I shall confine myself on this question to a suggestion regarding the prices of agricultural produce only. The agriculturist had a bad time during the last 10 years. Today he is buying all his requirements including agricultural implements and bullocks at high prices. I would like to suggest to Government, therefore, that there should be no interference with the rise of prices of agricultural produce unless prices show a tendency to rise higher than the level that was reached in 1928, which was just a good normal year.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal : Non-Muhammadan) : Sir, it is very gratifying indeed to find that some relief has been given to the sugar industry by way of excluding imposition of excess excise duty on sugar produced on or before 29th February last.

Sir, by this concession the Honourable the Finance Member has not only won the praise and confidence of the Indian industrialists and the public but has also confirmed us in the belief that his regime as the Finance Member will be a period of smooth and peaceful piloting of future budgetary measures. The adroit and masterly way in which he handled the Excess Profits Tax Bill and the various modifications in almost all the important clauses of the Bill to which he consented, leave no doubt in our minds of the wealth of tact and ability which he possesses.

Let us hope that the present clouded atmosphere will clear up soon and the tax payers of India will not be called upon to bear any further burden.

In my speech on the General Budget, I made it clear that enhanced duty on petrol was a necessary sequence of the rise in railway freights and rates and I was glad to find my Honourable friend Mr. Sapru, voicing my views in the vehement speech which he made yesterday.

As for the rise in the excise duty on sugar, I need not repeat what I said then. I only wish to emphasise the fact that it is far from truism to say that the rise in the excise duty on white sugar will not affect the poorer people.

In conclusion, Sir, I wish to express my full agreement with my Leader in the view that in times like these, the Defence Department should not stick to the nomenclature of martial and non-martial races in the matter of recruitment to the army. When men are forthcoming and are offering their services for the defence of the country and for the accomplishment of the war aims of the British and their Allies, they should not be refused because they do not come under the coined category of martial people. Able-bodied men and the men of right type should be freely recruited even if they do not come under the category "enlisted class"—the new definition given by my Honourable friend Colonel Hissamuddin. Attempts must be made to greatly extend the scope of employment of Indians both in the higher ranks as well as in the common rank of soldiers. When after the end of present hostilities, India is likely to have Dominion Status of the Westminster variety, it would be fit and proper to take them into confidence in the matter of defence of their country and to give them the proper and necessary training.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, no country can escape the troubles and turmoils when Europe is engaged in such a big war. India, whether she was consulted or not, has been made a belligerent country and the result is that India has to suffer and make sacrifices to the utmost for carrying on this war to a successful issue. Sir, we sympathise with the powers of democracy. We want that Hitlerism should be defeated and we want that democracy should come out successful in this war. But, Sir, India also desires that she must be made competent and fit by her rulers to take an active part and to give whatever support it is possible for her to give in these conditions. India has to undergo a strain of taxation and, whether one agrees to it or not, she will have to bear her share of the burden in this matter owing to the expenditure that has to be incurred on account of war conditions. Sir, there may be an honest difference of opinion about the particular method of taxation. The economists may differ among themselves but as I say she cannot escape this strain at this time. But, Sir, according to me, there is a certain limit. As I read in today's morning paper, even the financial experts of England are thinking of finding out other measures as they think that the rich people in England have been taxed to the utmost, the limit has been reached, and they therefore want to find out some other method of taxation to raise funds in England. Sir, in India during the last 15 years industries have been taxed to their utmost limit. Let us take the case of the sugar industry, Sir, which is the subject of taxation under the present measure. This industry flourished because we gave protection to the industry in 1931. In 1934 we imposed an excise duty and again in 1937 the excise duty was increased and the quantum of protection was diminished and now, Sir, again we have before us a measure for saddling the industry with further taxation. As I said the other day, Sir, the industrialists are the best judges in the matter whether further taxation would retard the progress of the industry or not. From the speeches that I have heard yesterday and today, I find, Sir, that even the agriculturists would have to pay and would have to suffer a burden on account of this excise duty. A premier landholder of India, our colleague, the Maharajahdiraja of Darbhanga, yesterday told us that the tax will ultimately fall on land and therefore you ought to increase the taxing capacity of the land so that the land should bear the tax without any strain. My friends from Bihar and the United Provinces told us that this industry has been subjected to double taxation, provincial as well as central, and the price of cane has gone down on account of provincial taxation. I have no experience in my province about this industry, Sir, but from the speeches made I can safely come to the conclusion that this tax is going to burden the grower also,

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not to speak of the consumer. The growers will also feel the strain of this burden. Under the circumstances, Sir, I think that other measures of taxation should have been found out by the financial experts of the Government of India so that agriculturist may not suffer.

Then let us take the case of petrol. Petrol, Sir, is a commodity which now-a-days can no longer be called a luxury. In India we have got such vast distances where for want of railroad the agriculturists resort to this sort of transport for taking their produce to the markets as well as to the ports. This industry also has been taxed by the Provincial Government as well as by the Central Government. I am afraid further taxation of this industry may not bring into operation the law of diminishing returns. This industry has already been taxed in the form of the increase of freight rates by the railways. This industry is being taxed by the Provincial Governments and also by the municipalities. If, Sir, the industrialists think that this industry will not suffer and the rates will not be increased by the management who carry on the business of transport, then certainly I have no objection, but if they are going to increase the rates and if the poor agriculturists have to suffer the brunt, then, Sir, I certainly think that this measure ought not to have been brought forward.

Sir, in discussing this Bill, I want to register my protest about one thing and that is the modification of the Niemeyer Award. Sir, I think the action of the Government of India in getting an Order in Council passed to modify this Award at this time was very inopportune. I do not consider in terms of money about this Award. The Provincial Governments will, no doubt, lose something, but I consider it as an encroachment on provincial autonomy by the Central Government. We know to our great dissatisfaction that in seven provinces the Constitution is not working. I submit that Government ought to have thought twice before placing any further obstruction in the way of an amicable settlement of that issue, which even now many people have not lost hopes of bringing about. This issue is of very great importance, not from the point of view of monetary gain to the provinces or to the Centre but from the constitutional point of view. Sir, it is very unfortunate that the Constitution is not working in seven provinces. We, who do not see eye to eye with the majority political party in India, still desire that the Constitution ought to be worked, and we therefore think that the Government committed a very grave mistake at this particular moment.

Sir, I want to say a word about the policy of the Government of India in connection with the defence of India. - On this point, this side of the House has moved many Resolutions and has been discussing the subject for a very long time. We find to our great regret that the Government, whether it be the Government of India or the British Government, have not yet been able to change their attitude. If, as I said in the beginning, you want our help in carrying this war to a successful issue, if you desire that India should give you help in men, money and material, it is your bounden duty to see that the people of India are prepared for the arduous task. You cannot in one breath say, "Give us money, men and material" and in another breath not give us facilities to provide you with men, money and material.

We have often referred to the question of the Indianization of the officer ranks of the army and of the nationalisation of the army in India, and I do not want to take up the time of the House by repeating the arguments. But I submit that if the old orthodox policy followed by the Defence Department is not given up at this time, it will not create that short of enthusiasm amongst

Indians which we all desire should be created and we want that it should be used not only for the defence of India but also for the defence of the Commonwealth. I am one of those who want to retain the connection of India with England. But you cannot retain that connection if you carry on with your orthodox policy. Please take us into your confidence and then no Hitler or anybody else in the world can raise an eye against you. This is the exact time when the Defence Department ought to change its attitude in this matter. I am anxious to hear something from the Honourable the Commerce Member about the steps the Government of India are going to take for making industrial development a success in this country and therefore, Sir, I do not want further to take up the time of the House.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, this Bill raises important financial and economic questions but the larger questions of policy which lie behind it overshadow all other questions today. Had the times been normal I would have practically confined myself to the consideration of those important financial and economic issues to which the Budget invites our attention. But I confess that my interest today is much more in the larger question of policy than in those concrete financial and economic questions which the Budget raises. Nevertheless, I shall say briefly something about them before I pass on to the consideration of the question of policy.

I should like to deal first with the question of the sugar excise. I recognise the conciliatory attitude adopted by the Honourable the Finance Member in the other House in exempting sugar produced up to the 29th February from the new tax. But the matter does not end there. This excise duty has been levied because of the expenditure necessitated by the war. But I think we may be certain that it will not be taken off even when the war is over. At the present rate of about Rs. 60 per ton, Government will get about Rs. 6 crores of revenue from the excise duty, if the annual production of sugar in this country is a million tons. It is thus obvious that they will, by means of this duty, recover practically all that the import duty on sugar was yielding before protection was thought of,—at any rate what it was yielding in the years 1926-27 and 1927-28.

THE HONOURABLE MR. HOSSAIN IMAM : It went up to Rs. 10 crore.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : That was under special conditions. It went up in connection with the Budget of 1930-31 when the import duty was considerably raised and when it was apparent that Sir George Schuster would be compelled to follow a protective policy. That is why I did not take the years 1930-31 and 1931-32 into account. However, the years to which I have drawn attention will show that the yield that may be expected in a normal year in future will be about what Government was getting then.

Now, how is the increase of Rs. 2 crores annually in the excise duty going to be realised ? On whose shoulders is this tax going to fall ? Sir James

Grigg used to maintain that it would fall entirely on the manufacturer. We were never able to share his opinion.

But so far as this year is concerned I think we can show conclusively that the burden is being borne by the agriculturist. When the duty was announced the price per maund of cane was Re. 0-9-9. It was reduced a few days later to 9 annas. I think the new price came into force on the 3rd March. It has been further reduced by a pice and it has been Re. 0-8-9, I understand, since the 1st April. It is thus clear that the new duty has led to a decrease in the

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price per maund of cane from Re. 0-9-9 to Re. 0-8-9. As the incidence of the duty per maund will be about Re. 0-11-9 it is clear that the reduction in the price of cane is accounted for entirely by the excise duty. This is, Sir, the result—

THE HONOURABLE SIR JEREMY RAISMAN : What will the Honourable Member say if the price of cane has to be further reduced ?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I am coming to that point ; I have not yet finished. I must not be supposed, Sir, to mean from what I have said that I want the price of sugar to remain at its present level. I know—and here I agree with what the Honourable the Finance Member said in the other House—that the difficulties of the sugar manufacturers have been due to the fact that the price of sugar has been artificially enhanced. On account of the price fixed by the United Provinces Government the price paid to the cultivator is increased when there is an increase in the price of sugar. This seems to be fair but it leads to a further increase in the price of sugar. Things are thus moving in a vicious circle and if no remedy is found for the present state of things I cannot contemplate with equanimity the future of the sugar industry. The high prices of sugar have led already to a decrease in its consumption and if they continue there can be no hope that the consumption of sugar will go up. It is absolutely necessary therefore that this matter should be taken in hand and settled amicably and on equitable lines as early as possible.

The whole country is interested in the sugar industry. It is a source of benefit to the agriculturist also whose interests we have always to watch over. It is an important source of revenue to the Provincial Government. In fact one of the principal reasons for protecting sugar was that it would improve the financial position of Provincial Governments. And finally the Central Government too has a large and direct interest in its prosperity. Things should not therefore be allowed to remain as they are at the present time. I know that the subject is primarily provincial, but in view of the magnitude of the interests at stake and the direct interest of the Central Government in the matter, I do not think that the Central Government can afford to stand aside and say, "We must leave the question to be solved satisfactorily either by the manufacturers or by the manufacturers and the Provincial Governments." That was the attitude of Sir James Grigg ; that attitude we never approved of. When after imposing the excise duty he came before us and claimed that the duty had led to an improvement in the position of the sugar industry and had compelled the manufacturers to put their house in order, we were unable to accept his opinion. We felt that such improvement as was visible was due to the initiative taken by the Governments of the United Provinces and Bihar. Unfortunately the interests concerned and these Governments have not been able to settle matters on a satisfactory basis. I think therefore that it is time that the Government of India interested themselves in the question and fixed the price of sugar on an equitable basis excluding from the price the incidence of the excise duty per maund.

There is another reason, Sir, also why I seriously direct the attention of the Central Government to this important question. The welfare of no small number of agriculturists depends today on the flourishing condition of the sugar industry. If, however, the present prices lead to a decrease in the consumption of sugar, as they have done and are bound still more to do in future, it is obvious that the agriculturist will be seriously affected. Besides if

the present prices are uneconomic and have to be reduced with a consequent reduction in the price for sugarcane, the sooner steps are taken to deal with the matter the better. The position is already difficult and if you let things drift for a year or two, any alteration in the price of cane to the detriment of the cultivator will produce undesirable results not only from the economic point of view but also from the political point of view. It is necessary therefore that the Central Government realising their duty should bring all the interests together and use their good offices to settle the question on a basis equitable to all the interests concerned.

Sir, there is only one more point that I should like to deal with in passing in connection with the specific questions raised by the Budget. That concerns the manufacture of power alcohol from molasses. Now, as my Honourable friend Sir Jeremy Raisman knows, this subject received the attention of the Legislature more than once in the past and I know that it was also considered either by the Imperial Council of Agricultural Research or by one of its Sub-Committees. We, however, never came to know what the result of the investigation set up by the Imperial Council of Agricultural Research was. When I asked for information on this subject it was some brief and jejune resolution passed by the Council or by one of its sub-committees that was pointed out to me, but I could never get the proceedings of the body that had considered this matter and could never come to know what were the reasons owing to which the question was not being taken up. Well, matters were in that position when Provincial Autonomy came into force on the 1st April, 1937. Some Provincial Governments, taking advantage of their new position, appointed committees to consider this matter. I understand that all Provincial Committees did not hold the same view but I have no definite information on the subject. I know, however, that the committee set up by the Government of the United Provinces, which was a representative one, reported in favour of the manufacture of power alcohol from molasses and I think it was also pointed out that this was being done in the State of Mysore. A Bill was passed on the subject before the United Provinces Ministry resigned. But, I understand, that the Bill has not yet received the assent either of the Governor or of the Governor General. It may be allowed to lapse. Now, I should like to know what the policy of Government in this connection is. It is all very well for them to raise new taxation whenever they require money but is it not equally their duty to take the wider economic interests of the country into consideration and, while they are imposing taxation, to create conditions which would lead to a further extension of the transport industry which in some of its aspects will have an important bearing on the moving of agricultural produce from villages? I hope that my Honourable friend the Finance Member will be able to give us some information with regard to the attitude of the Government on this question. It may be that, if this question is taken up now, it will have an adverse effect on the financial position of the Government of India but I confess I have no clear ideas on the subject. This is one more reason why I ask the Honourable Sir Jeremy Raisman to lay the full facts of the situation before us.

THE HONOURABLE MR. HOSSAIN IMAM : It will cause no loss to the Government.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Well, that is if taxation is imposed on it. I do not know if it will then be more economical than petrol is at the present time, but I suppose it will be so. In any case, it is not my desire that Government in encouraging the production of power alcohol from molasses should exempt it from any duty that may be considered suitable. • •

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Apart from this, Sir, the other considerations on which my Honourable friend Mr. Hossain Imam laid stress yesterday are also relevant to the consideration of this matter. I therefore once more request the Honourable the Finance Member to enlighten us on the subject.

And now, Sir, I shall pass on to those larger questions which I have already said interest me much more than those that I have hitherto discussed. Now, the first question of policy that I shall discuss relates to the future industrial development of the country. I congratulate the Government of India, and my Honourable friend Sir Ramaswami Mudaliar in particular, on the establishment of the Scientific and Industrial Research Board. The Government of India, or rather the Finance Member, is going to place Rs. 5 lakhs at the disposal of the Board for carrying on its activities. This naturally reminds us of the position of the Imperial Council of Agriculture which is also receiving the same amount of help, but the position of this Council, while it may convey useful lessons to us, should also serve in part as a warning to us. This Council has undoubtedly done valuable work but it has been concerned mostly with research work which unfortunately has not generally speaking been brought within reach of the cultivator. However valuable the results of its investigations may be, the cultivator cannot search for them in the bulletins that are written in English. I hope this mistake will not be repeated in the case of the Scientific and Industrial Research Board. What I mean to say is that, while research is important, extremely important, the development of industries, the taking of practical steps for the expansion of existing, and the starting of new, industries should be regarded as an equally important duty of the Board. I know that this question has not been neglected by the Honourable the Commerce Member. The communique that has been issued with regard to the composition and duties of the Board makes it clear that the Board is not intended to be a purely research body. We have also to take into account, in addition to the establishment of the Research Board, the speech delivered by my Honourable friend, Sir Ramaswami Mudaliar, in the Legislative Assembly on the 12th March. I had only a summary of this speech before me when I spoke on this subject in connection with the debate on the Excess Profits Bill. Since then, I have received the proceedings of the Assembly of the 12th March and have been able to read the Honourable Member's speech in full. His speech carries the matter much further than the communique relating to the establishment of the Board. But, if I raise a discussion still, it is to refer to certain matters which, though they may be implied in what has been said by the Honourable Member or might be in his mind, have not been specifically referred to.

Sir, when the Board was established, my mind went back to Sir Arthur Salter's Report on Economic Advisory Councils, and I brushed up my memory by referring to certain portions of the Report the other day. Sir Arthur Salter, while discussing the problems that would need to be examined by the Economic Advisory Councils recommended by him when they were established, gave two instances of problems requiring investigation of a more extended character. The first problem was—and here I quote from the Report—

“ that of drawing up in main outline a general plan of India's economic and industrial development in the next few decades as some guide to the direction of State policy ”.

This task was attempted in part by the Indian Industrial Commission. In Chapter IV of its Report it considers some of the most important industrial deficiencies of India but it concerns itself in that Chapter with what it calls

the key industries—the manufacture of machinery and the engineering industries. It will be evident to any one who acquaints himself with the constitution of the Industrial Board and with the speech delivered by my Honourable friend Sir Ramaswami Mudaliar that he had the recommendations contained in these reports before him when he established the Board. The very composition of the Board shows, to my mind, that the recommendation made by Sir Arthur Salter with regard to the composition of Economic Advisory Councils has been borne in mind, of course within the limits set by the special circumstances created by the War. The Board contains not merely research workers but also practical business men. Apart from this, my Honourable friend stated the other day in the Assembly three main propositions in connection with the future attitude of the Government of India towards industrial development. He said in respect of the establishment of industries encouraged by the Government of India that they were determined that these industries should not be left to their fate after the war, thus assuring us that the situation that arose after the Great War of 1914-18 would not be allowed to be repeated. The second statement that he made was that he was engaged in an active examination of those industries which require to be developed either for the prosecution of the war or to make up the more important deficiencies in respect of key industries as disclosed by the reduction of imports on account of the war. The last statement that he made was that the ideas of Government were running “on the lines of making a little liberalisation in the conditions of the Fiscal Commission, so as to encourage the production of those commodities which we feel essential for our war needs”. The Honourable Member’s assurances are of a far reaching character and I heartily welcome them. But I respectfully suggest that more stress should be laid on the need for drawing up a plan in accordance with which the activities of the Industrial and Research Board should be carried on. Further, in drawing up this plan, attention should not be paid only to the key industries. We should also take advantage of the present position to expand existing industries and to create new industries, whether they be large or small and whether they be war industries or key industries or not. I mention this last point because the Commerce Member has so far spoken either of the industries needed in connection with the war or of the key industries. I suggest that the wider aspect to which I have drawn attention may be quite important as those aspects which have already received the consideration of my Honourable friend. I hope that the war would not last a very long time. We have, therefore, to bear in mind that if we want to do anything practical, we must lay our plans in such a way that they may materialise in the course of the next four or five years. Yet, I think that a wider examination of the kind I have suggested will not be without its value and that it will be a useful guide not merely at the present time but hereafter also.

The second question to which I wish to refer in this connection seems to me to be of even greater importance. The Honourable the Commerce Member has already spoken of the desire of the Government to relax a little the conditions laid down by the Fiscal Commission. I do not know what exactly he has in mind. He might have been more cautious in choosing his words than he intended to be in his actions. I should be very glad if he could give us an indication of the lines on which the relaxation of which he spoke is going to be made. But there are two points that I venture to bring to his attention in this connection. One is that the position of the world is such that the economic postulates on which the Fiscal Commission based its work no longer hold good. It is notorious that almost every country has built up a high economic wall round itself. If therefore we stick strictly to the policy laid down by the Fiscal Commission, we shall be the only country that will suffer

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because of the adoption of a liberal policy in the present situation. I am not in favour of increasing restrictions unduly. I should be very glad if the world were to return to a saner mood and allowed a freer outflow of the goods produced in different countries. But we have to take account of facts as they are and to provide for our welfare in the situation in which we find ourselves. Secondly, Sir, the supply of raw material in the country on which the Fiscal Commission laid so much stress does not seem to me to be a vital point. If it were necessary for the success of an industry that its raw material should be found in the country in which it was functioning, then neither England nor Japan could be a big industrial country in many respects; yet both of them are industrially great; they can get their raw material cheaply from other countries. I see no reason why a different policy should be followed here. I shall be told that I am probably forgetting that it will not be easy to get raw materials for any industry at the present time. I bear that fully in mind, Sir. Nevertheless, if we revise our ideas in this connection now it may lead to a reconsideration of policy and giving a stimulus to industrial development.

Lastly, Sir, I should like to ask my Honourable friend Sir Ramaswami Mudaliar what would be the relation between the Scientific and Industrial Research Board and the Industrial Research Bureau which was set up five or six years ago. Anyone who reads the report of this Bureau will see that its activities and the principles that underlie it are of much the same character as those which apply to the Board. In fact it seems to me that the Board is really an extended application of the ideas on which the Industrial Research Bureau was based. I am therefore anxious to know what would be the position of the Industrial Research Bureau. Will it continue to function, will it remain independent or will its staff become a part of the staff of the new Research Board. The duties of the Research Bureau and the Board are so similar that I doubt whether the co-ordination of activities which is to result from the supervision of the Industrial Research Board would be quite enough in the case of the Bureau.

Now, Sir, I shall say a few words about another question which is of even greater importance than industrial development. We are frequently reminded that a war which will have far-reaching consequences on the fate of the world is going on and that it is incumbent on us as lovers of democracy and human freedom to set aside all smaller questions and to concentrate our attention on the settlement of those issues on which the future welfare of the world depends. I realise the sincerity of that appeal and I respond to it in a measure. Government know—and know better than anybody else—what sympathy they received from the country at large when the European war broke out. They must have been surprised by the ideological support that they received even from quarters which are not supposed to be friendly to them. I submit therefore that we have not failed in taking into full account the gravity of the issues that call urgently for settlement at the present time. I fear that it is Government that have failed in their duty to mobilise the large volume of public sentiment that existed and still exists in their favour in the country. Government spokesmen will doubtless say that the charge is not well founded, because the authorities have made it clear that they look forward to the achievement of Dominion Status by India within the shortest possible period of time. That announcement of policy has certainly been made, but if it is to be realised concrete steps must be taken to show to the country at large that the promise made by Government is going to be implemented in the near future. I am not going to say one word in this connection

which would even remotely suggest that I am oblivious of our own responsibility in the matter. I feel, Sir, that it is a misfortune that Provincial Governments are not functioning in seven provinces. I feel that it is a distinct loss to us that the Central Legislature is not receiving the help of the representatives of the largest and most influential party in the country. I feel that if the provincial autonomous Governments were at work in all the provinces and that if we were discharging here our duties as representatives of the country fully in spite of the discouragements with which we might be faced, we would make a greater impression on Government than we have done up to the present time. But while I realise our own responsibilities, I contend at the same time that this does not absolve Government of the duty that they owe to the country. Whatever may have happened in the provinces or in this Legislature, they can yet take steps which will convince the people of the country that they mean to take India quickly with them towards the goal of complete freedom.

One of the most important questions that we must consider in this connection is that of defence. It was, as I said the other day, specifically referred to by His Excellency the Viceroy in the conversation that he had with Mahatma Gandhi in February last. Now, how are Government discharging their duties in this direction? I fully endorse what my Honourable friends Mr. Sapru and Mr. Hossain Imam said yesterday with regard to the arrogance and contempt with which we are treated by the Defence Department. The entire taxation to which we are going to be subjected is due to the war but the most important representative of the Defence Department who is a Member of this Council, absents himself from it on the ground that he has more important work to do elsewhere. Can anything show more conclusively than this the utter contempt with which the authorities treat us? They want our co-operation only in respect of the shouldering of obligations. They forget the rights which should correspond to the obligations. I know that my Honourable friend Mr. Williams is here as the representative of the Defence Department. (*An Honourable Member*: "Today".) Well, I recognise that he was accidentally absent yesterday. But while I do not wish to say anything disparaging to Mr. Williams himself, I cannot help saying again what I said the other day, namely, that we cannot look upon him as a proper representative of the Defence Department.

THE HONOURABLE MR. A. DEC. WILLIAMS: On a point of order, Sir. Is the Honourable Member entitled to question the action of the Governor General?

THE HONOURABLE THE PRESIDENT: I do not think he is in order in reflecting on the action of the Governor General. Mr. Williams has been appointed by the Governor General; he has told you that, and you still say you disapprove of his appointment.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I do not doubt his legal competence to vote and speak against us but no order passed by the Governor General can set moral issues at rest.

THE HONOURABLE THE PRESIDENT: You say he is not a suitable representative. You disapprove of his appointment by the Governor General.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: No, Sir. What I say is that we cannot regard him as a full-fledged representative of the Defence Department in our own minds.

THE HONOURABLE THE PRESIDENT : Well, I have ruled that you cannot comment on His Excellency the Governor General's action.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I am not commenting on it. But I hope I have the fullest right to express the non-official view with regard to the manner in which this Council has been treated by Government and by the Defence Department.

Sir, we are told that the Commander-in-Chief has important work to do elsewhere. Has the Secretary of State for War or the First Lord of the Admiralty no work to do in England ?

THE HONOURABLE SIR DAVID DEVADOSS : They are not soldiers. Churchill is not a soldier. He is not in command of the Army there. The Commander-in-Chief of the British troops does not sit in the House of Commons.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Well, my Honourable friend should realise that the Ministers are ultimately responsible for the conduct of the war. If they do anything at all, the war must have added greatly to their duties, and while they may be performing duties different from those of the Commander-in-Chief here, they must be of a vital character in relation to the war. If people at the head of the war organisations, people on whose decisions the prosecution of the war will depend, can find time in a self-governing country, can find it necessary in a self-governing country to attend Parliament in order to satisfy their own people and to win their confidence, is it not necessary for the head of the Defence Department in this country to attend this House in spite of the war, and to take special pains to assure us that he is prepared to give the fullest information that is possible in the present circumstances, and to take into serious consideration the views that are expressed here ?

THE HONOURABLE THE PRESIDENT : The fullest consideration was given when several Resolutions were moved in this House and there was the reply of the Government of India given on all points.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Sir, may I respectfully ask why the Chair considers it his duty to give a reply on behalf of the Government ?

THE HONOURABLE THE PRESIDENT : It is my privilege ; when an Honourable Member exceeds his duty and makes any unjust comment on the other party or person it is my duty also to protect every Member present in this House.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Sir, you are the custodian of the dignity and rights not of one section of the House but of the whole House.

THE HONOURABLE THE PRESIDENT : I quite admit that.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : And I respectfully venture to point out that I know of no instance during the last three years when you have found it necessary to raise your voice on our behalf.

THE HONOURABLE SIR DAVID DEVADOSS : There was no necessity for it.

THE HONOURABLE THE PRESIDENT : It is a matter of opinion.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Sir, it is a fact. I am not dealing with a matter of opinion.

THE HONOURABLE THE PRESIDENT : No. I do not think your colleagues here will endorse that opinion.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : And now, Sir, I shall deal with a few questions concerning the Defence Department and first of all I shall say a few words with regard to the Air Force because I shall be able to deal with the matter briefly. When the war broke out, in fact before the war broke out, we asked that steps should be taken to enlarge the Indian Air Force and to see that as soon as possible it replaced the Royal Air Force. But our demand was not acceded to. After the war, we drew attention again to the importance of strengthening the Indian Air Force and of training large numbers of Indians as pilots. But that demand too was turned down. And what is being done now, Sir, in this connection? All that we have come to know during the course of the last eight months is that one more Indian Air Squadron will be established in the course of the year. We have further been told that the Air Force Headquarters are now engaged in recruiting personnel for the Air Force Reserve. They have their own organisation for training the Reserve. Finally, Sir, comes the Civil Aviation Department, which has received the magnificent grant of Rs. 51,000 from the Central Government in order to get more pilots trained through the Flying Clubs. What is the number of men that is going to be trained by the Aviation Department? Four pilots are to be trained as Instructors, eight pilots are to receive advanced training at each of the seven Flying Clubs, and four persons are to be trained *ab initio* as pilots at each of these Clubs. In all, therefore, 88 more men are to be trained. And this is the magnificent record of a Government which asks us day in and day out to devote every ounce of energy to the prosecution of the war. Here is a subject in connection with which we are in earnest. The communiques issued by the Civil Aviation Department show how enthusiastic is the response which that Department has received from our young men. But how do Government take advantage of that response? By proceeding at a snail's pace and training an insignificant number of pilots. I remember the *Pioneer* writing in connection with the announcement made by the Civil Aviation Department, "What on earth is the use of this? To train 26 at a time is merely playing with the problem as the experience even of the last war had shown." We have received support in this matter not merely from Indian but also from British newspapers. But it has made no impression on the Central Government.

Now, Sir, I wish to say one or two words with regard to the Army —

THE HONOURABLE THE PRESIDENT : I have allowed you nearly 1½ hours already—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I got up at 12 O'clock, I think, Sir,—

THE HONOURABLE THE PRESIDENT : One hour and 20 minutes, and you must remember that there are other speakers to follow.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : You know more about it, Sir, than I do but I do not think I have spoken for more than

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an hour. However, I shall be brief with regard to what I am going to say about the Army, because I have dwelt on this matter repeatedly in this House. The most important question that arises in this connection is that of Indianisation and the position of the Indian Commissioned Officers. I asked the other day whether the persons who were given temporary commissions would be appointed as platoon commanders or as company officers like the newly recruited British officers and I was told that they would be appointed as platoon commanders. I ask the House to realise what the appointment of Indian officers as platoon commanders means. When the policy of Indianization was started, it was understood that Indian officers would be trained to replace British officers. When the eight units scheme was announced, I think the Commander-in-Chief, Lord Rawlinson, said in the Assembly that Indian officers coming out of Sandhurst would not be confined to these eight units but would be posted to other units also, which meant that whatever the output of the Indian officers from Sandhurst might be, the whole of it would be used to replace British officers. But that policy has now been changed. Indian officers are not utilised for the replacement of British officers. They are being appointed as platoon commanders, that is, in place of Viceroy's Commissioned officers who retire or are asked to retire. Thus, while the number of Indian officers is increasing, they are by no means replacing British officers. In fact, the recruitment of British officers remains what it was. I asked my Honourable friend Mr. Williams a few days ago to give us the figures relating to the recruitment of British officers since 1935 and this was the information that he supplied. In considering this information, the House should bear in mind that it is believed that the Indian army requires about 125 officers annually to make up the wastage in the officer ranks. The figures relating to recruitment during the last five years are as follows :—

1935	.	.	.	.	.	.	.	100
1936	.	.	.	.	.	.	.	172
1937	.	.	.	.	.	.	.	136
1938	.	.	.	.	.	.	.	124
1939	.	.	.	.	.	.	.	130

I ask the House to say — I ask the European Members of this House to tell us whether this is Indianization, whether they can ask us to forget this simply because a war is going on. Government, not content with what they were doing before the war, are taking steps which will accentuate the grievance to which we have repeatedly drawn their attention. They are following a policy which will enable them to confront us with a settled fact after the war and to say that the policy of replacing Viceroy's Commissioned officers by Indian officers having gone too far cannot be reconsidered.

The reason given for this change of policy, which means the stoppage of Indianization—not its reduction, mind you, but practically its stoppage in the earlier years—is justified on the ground that it is necessary that the Indian Army should follow in future the organisation of the British Army. Why should we give up our own organisation that has worked successfully for 75 years, we do not know. But, unhappily for those who relied on the British analogy, Mr. Hore-Belisha has changed the system in England, and only half the platoons are to be commanded in future by British commissioned officers. Half of them are to be commanded by Warrant Officers Class III. At the present time therefore we are following no model at all. Our organisation is

peculiar to ourselves. While the British authorities seem to be approaching our system, we are giving up ours and following the British model which is in course of being rapidly and radically altered.

Sir, I have spoken so far with regard to the appointment of Indians to the commissioned ranks. I shall now deal with the attitude of Government with regard to the supply of information. During this Session I put a number of questions relating to military matters. On the 23rd February I put two questions the object of one of which was to find out what was the number of officers, temporary officers, recruited since the commencement of the war and how many of them were Indians and Britishers and of the other to find out the total strength of the forces raised in India in each of the provinces. What was the reply of my Honourable friend Mr. Williams? "It was contrary to the public interest to give publicity to the figures asked for by the Honourable Member." I fear, Sir, that he was thinking not of the public interest but of the interest of the Defence Department. Probably the number of commissions given to Indians is very small and in regard to recruitment the old restrictive policy is being followed which will not bear scrutiny. I put another question on the 26th of February regarding the manufacture of munitions. I wanted to know what were the new kinds of munitions that were being manufactured and to what extent. This time I received a reply from the Honourable Mr. Dow, and his reply was quite as comforting as that of Mr. Williams. He too felt that it was not in the public interest to answer—

THE HONOURABLE THE PRESIDENT: You wanted Mr. Dow to let the enemy know what was our strength in the matter of munitions.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I shall not criticise Mr. Dow, but I will place before him and before you, Sir, if you will permit me to do so, certain facts showing the attitude of His Majesty's Government and the Dominion Governments in kindred matters. Sir Samuel Hoare made a speech reviewing the war situation in the House of Commons some time in February last and according to the reports received in this country—

THE HONOURABLE THE PRESIDENT: You have said all that before; I quite know.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I have never said this before; I have never given any illustrations.

THE HONOURABLE THE PRESIDENT: You have spoken about this matter before. I fully realise. You forget that India is a peculiar country and it is not like England or the Dominions.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Don't I know it? Every Indian knows it to his cost. India is a very peculiar country. No principle which is applicable to a free self-governing country is applicable to India.

THE HONOURABLE THE PRESIDENT: That is your way of thinking.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir Samuel Hoare in the speech to which I have referred said that the number of men under arms had increased considerably since the war broke out. There were between 1,250,000 and 1,500,000 men under arms. He further said that there was also a citizen army of between 1,500,000 and 1,750,000 men and

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women engaged in A. R. P. work. In regard to munitions he said that the number of ordnance factories known as agency factories which were built or were building was 32. In addition 301 factory extensions to accommodate new plants had been added at public cost and so on. Mr. Hora-Belisha, Secretary of State for War till recently, informed the House of Commons that about 7,000 men serving in the ranks had been recommended for training as officers since the outbreak of war. He further informed the House that 2,000 men had been promoted to officers since the passing of the Military Training Act. This information was published in the Delhi papers of the 2nd November. Now, let us consider the practice in the Dominions. I have been able to get information only with regard to the training of pilots.

THE HONOURABLE THE PRESIDENT : Do you contend that India must necessarily follow the Dominions or any other country ? It has its peculiar difficulties and in military matters India must adopt a policy according to the advice of her military expert officers.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Until convincing reasons to the contrary are given, I am bound to hold that India should not be treated differently in respect of this matter from England or the Dominions. Besides, I contend, Sir, that what is relevant in this connection is not the special position of India but the advantage that the enemy might derive by the publication of any information that is given by Government. Is England distant from the scene of war and India near it that the Government of India should be more nervous with regard to the giving of information than the British Government themselves ?

THE HONOURABLE THE PRESIDENT : When you are the Commander-in-Chief of India you will be able to understand that.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : When we are in charge of affairs here, I have no doubt that our policy will be the same as that of Ministers in all self-governing countries. It would be impossible for us to follow the policy of secretiveness which has found favour in every matter with the Government of India.

Sir, I was referring to the information given by the Dominions with regard to the training of pilots. I refer to this matter because both Australia and New Zealand are going to have a large number of pilots trained. Now, a message dated London, the 1st March, sent by Reuter stated on the authority of Mr. Menzies, Prime Minister of Australia, that the number of Australian pilots trained for the Empire training scheme was to be increased by 4,000 to 14,300. The statement added that the total strength of the air forces would eventually be 58,000. As regards New Zealand Reuter's message dated the 2nd March stated that over 4,000 young men had registered for training as air pilots and that more than double that number had applied for enlistment.

THE HONOURABLE THE PRESIDENT : How long do you still propose to take ?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I want to end in half a minute.

Sir, The illustrations that I have given show the contrast between the policies followed in England and the self-governing Dominions and the policy

followed in India in respect of supplying information and winning the confidence of the people. Englishmen ask us for our co-operation day after day. I ask them as fair-minded men to go over the ground once more, to take these facts to heart and as lovers of truth and freedom in their own country to understand our feelings and to follow a policy which would enable us to co-operate with them on a footing of equality and to take pride in their achievements as if they were our own.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: The debate will now resume on the Finance Bill. I want to know if any other Honourable Member desires to speak?

(No Honourable Member rose to speak.)

THE HONOURABLE MR. A. DEC. WILLIAMS (Nominated Official): Sir, when, as I pointed out earlier today—

THE HONOURABLE THE PRESIDENT: I am very sorry to notice that both the Honourable Mr. Kunzru and the Honourable Mr. Sapru are absent now. But you can say what you desire to say.

THE HONOURABLE MR. A. DEC. WILLIAMS: When, as I say, I was appointed by the Governor General to represent the Defence Department in the absence of His Excellency the Defence Member, I did not realise that part of my duties would consist in repelling personal attacks upon His Excellency in his absence. I say personal attacks, because the fact that His Excellency has been nominated a Member of this Council depends in the main on the provision in the Constitution Act that every Member of the Governor General's Executive Council shall be nominated a Member of one or the other Chamber of the Legislature. It was open to Honourable Members opposite to criticise that provision in the Constitution. I have never known Honourable Members opposite show any reluctance to criticise the Constitution. But they have not done that. They have seen fit to make what I can only characterise as a personal attack upon His Excellency.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I correct the Honourable Member? We have referred to the Constitution repeatedly here. But as he is frequently absent from the House he does not know it.

THE HONOURABLE MR. A. DEC. WILLIAMS: Honourable Members have referred to the fact that they have been reminded—and they stigmatise the reminders as unnecessary—that we are in the middle of a war. His Excellency is a soldier and I think Honourable Members opposite would admit that he is the best judge of what a soldier's duties are. The fact that Honourable Members have described my own appointment as unsuitable, I welcome—for this reason. It is, I think, generally admitted that the orders of the Governor General are beyond question in this House. It follows, therefore, that I am personally unsuitable. (*Honourable Members*: "No, no".) I am therefore relieved of the unpleasant duty of justifying my existence because I realise that anything that I may say will fail to convince Honourable Members opposite. •

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : On a point of personal explanation, Sir. Whatever the impression created on the Honourable Member's mind in this respect, let me assure him that it was not at all our intention to reflect on his personal capacity for discharging any duty that might be entrusted to him. There was nothing personal whatsoever in our objections. I hope the Honourable Member will accept this assurance and not question its sincerity.

THE HONOURABLE MR. A. DEC. WILLIAMS : I am very grateful to the Honourable Member—sincerely grateful. But, to revert to the absence of His Excellency from this Chamber during the debate yesterday and today, I think it is fair to say that the vast majority of the points raised by Honourable Members, as they themselves have said, have been repeatedly debated in this Council and I should say that every one of them has, at some time or another, been answered in person by His Excellency.

I will now pass on—I must again repeat my apologies for not having been present at the discussions yesterday,—I will now pass on to such points as were raised in my hearing today by the Honourable Pandit Kunzru. |

The first point which he took was the failure appreciably to enlarge the Indian Air Force. Well, Sir, thanks to the provision of new machines for the Royal Air Force, we have been enabled to do considerably more already than we expected, machines having become available. I have already indicated in answer to a question what is being done by way of training and so on. One squadron of the Indian Air Force has already been formed. The Defence Secretary has announced in another place that a firm decision has been taken to form a second squadron ; and I can now announce that it is confidently hoped that that can be done at an early date. If I am asked why we did not do more, the answer, which is the answer to so many questions, is largely that of expense. We must, after all, remember that, as regards war expenditure, we have got, I should say, an extremely satisfactory deal with His Majesty's Government. We pay so much and they pay the rest. Clearly it behoves us to adjust our expenditure to the strict necessities of the war. I can see the political advantages, the desirability perhaps, of a greater Indianization of the Air Force, but it is not so easy to make out a case for its absolute necessity *vis-a-vis* the strict requirements of the war.

Then, my Honourable friend adverted to the question of the Indianization of the Army, and the position of Indian King's Commissioned officers who on joining up become platoon commanders instead of company officers. He cast some scorn on the argument that the Indianized units must conform to the organisation of British units and mentioned the fact that under the latest reorganisation of the British forces, a certain number of platoons will be commanded by warrant officers. I am afraid, Sir, I have not been able to verify that. I will assume that the Honourable Member is correct in that. Even so, it has never been argued that the Indianized units must fully and rigidly conform to the British pattern. The fact remains—

THE HONOURABLE MR. P. N. SAPRU : That was Sir Philip Chetwode's argument when I moved the Resolution on the Viceroy's Commission here.

THE HONOURABLE MR. A. DEC. WILLIAMS : The fact remains that in the Indianized units the King's Commissioned Indian Officer, once he has joined that unit, stands as good a chance of promotion to company commander

as a British King's Commissioned Officer in a non-Indianized Indian unit, and if the Honourable Member will consult the Indian Army List—I do not know how many company commanders he would find—but he will find that in at least two units which I looked up today every officer up to the point of a company commander is an Indian, and it follows that in a very short time one of those officers is likely to become a company commander.

I now come to the Honourable Member's charge that information is consistently withheld on defence matters when Honourable Members make interpellations. The particular instance which he quoted when I stated that it was not in the public interest to give certain figures of British and Indian Temporary Emergency Commission Officers is susceptible of explanation. I think I told the Honourable Member at the time that I feared he must expect similar answers whenever he asks for exact figures ; but he will recollect that on that occasion I said I would do my best to meet him by giving him proportionate figures if they would be any use to him—the proportion of European officers to Indian officers. I was not prepared to give the total—the exact figures. Further, one reason why it was a matter of some difficulty to give him the proportionate figures straightaway was that the form of his question rather fogged the issue. He had asked for figures of temporary Commissioned Officers. Indian Officers who are at the moment receiving Commissions are not receiving temporary Commissions, although all wartime Commissions are normally speaking temporary, but are receiving permanent Commissions ; so that if I had given him the figures of temporary Commissions no Indian could have been shown at that moment. It would have given a very wrong impression of the true facts.

But as regards his general charge that information is withheld in this country and is freely given in Parliament and in the Dominions, I can only say that the instance he quoted of information given by Sir Samuel Hoare suggests to my mind—I had no opportunity of studying the exact circumstances in which that information was given, but I certainly myself gained the impression—that it was given rather by way of propaganda than in answer to a detailed inquiry. It is of course open to any Government to give any information it wishes to give—if it volunteers it ; and no doubt I have heard many criticisms of the backwardness of the Government of India in pursuing propaganda. But I think that both in the Dominions and in the United Kingdom information would not always be forthcoming as the result of interpellations or cross-examination. I am confident that a Member of Parliament would not experience the same aggrieved surprise as my Honourable friend if in answer to a question of a detailed character he was told that to give a reply was not in the public interest. I hope, Sir, that I have been able to do something to mollify my Honourable friend Pandit Hriday Nath Kunzru.

I can only again repeat that I am unfortunately not in a position to answer any observations which may have been made in the course of the debate yesterday.

THE HONOURABLE DIWAN BAHADUR SIR RAMASWAMI MUDALIAR (Commerce Member) : Mr. President, I have been during the last few days the recipient of most agreeable congratulations on the work that I have done as Commerce Member during the last few months, not only in this House but also in another place, not only in the Legislature but in quarters outside the Legislature which are not generally sympathetic towards the work of the Commerce Member. Sir, I should be sailing under false colours if I were to take these congratulations and encomiums myself. I have been connected with the Commerce Department only for a few months. I came as an outsider little

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knowing the intricacies of tariff and of trade and less connected than anybody in the Government has so far been with the commerce of this country. To expect that I should have been able to give a new orientation to this Department or to put forward proposals out of my own head which have received some measure of support and which have evoked some amount of satisfaction to members connected with commerce and industry is to expect well nigh the impossible. The secret of it let me disclose. It is the devoted and the loyal work of the Secretary of the Commerce Department and those officers and staff who have been associated with him that is entirely responsible for any little change that the Commerce Department has been able to effect during the last few months. I should like to take this opportunity to publicly testify to the devoted and the loyal work that has been rendered by the Commerce Secretary my Honourable friend Sir Alan Lloyd, and his staff in assisting me in the work of that Department. (Applause.) The measures to which reference has been made, the setting up of the Board of Scientific and Industrial Research or other schemes that have been afoot in the Commerce Department have not come out full fledged from my brain. They were only very meagre and very skeleton ideas which their knowledge, their robust enthusiasm, their skilled experience of the working of these matters, have put into shape and they have been presented by me to the public at large. Well, I have been lucky enough to collect all these bouquets from both these Houses; I wish to pass them on to quarters which really deserve them and which must appropriately take them. Sir, I must make another acknowledgment. I do not know what the experience of past Commerce Members has been, but mine has been most fortunate during the past few months. There has not been an occasion when I have had any differences with the most important of my colleagues so far as I am concerned, the Honourable the Finance Member. Not only has his assistance been forthcoming, but what is more valuable his advice has been always at my disposal and that advice, I can assure you, has been of the most invaluable character. That close collaboration between the Commerce and the Finance Departments has been responsible for any measures that we may have been able to adumbrate during the past few months.

Let me turn at once to the remarks that have been made in the course of this debate. I shall take my Honourable friend Mr. Richardson's speech first. I had been led to expect from an earlier speech of his that it would be full of commonsense and full of wit. May I say that the second experience has not in any way tried to dispel that impression. In fact it has added to the pleasure that I have had in hearing Mr. Richardson. It is welcome on a most important aspect of the question, the question of protected industries and of internal competition. My Honourable friend Sir Ramunni Menon has, with a skill and directness which is not usually associated with members of the Educational Department, canvassed the position that Mr. Richardson has formulated and has addressed arguments in much more felicitous language than I can command, arguments which certainly are of a most impressive character. As my learned friend was not here this morning to listen to his speech, I venture to repeat some of these arguments. Sir, it is a fact that in the case of some of the protected industries there is serious over-competition and perhaps there is a danger of over-production also. In the first place, if one were to look to the causes of this over-production, one aspect of it may naturally strike one—whether it is not because the protective wall is much higher than is desirable so that new concerns have come in in larger numbers than was desirable and have added to the productive capacity to a greater extent than was contemplated. But I do not stress the importance of that aspect of it because we

are all aware that, in this country, there is a tendency for imitation as much on the part of entrepreneurs as of industrialists, and where they find an industry developing with success, the temptation is very great for a number of people, without taking into account the capacity required or the production that ought to be there, to come in tumbling over each other, starting these industries and so ruining themselves ultimately. This is a phase of industrial activity which is not confined to protected industries but applies to non-protected industries as well. But since the issue has been raised of protected industries, let me confine myself to that.

My Honourable friend will remember that in the Fiscal Commission's Report it was specifically pointed out that one of the ways in which the danger of high prices may be got over would be by such internal competition as by itself would bring down or reduce the prices. The Fiscal Commission visualised that when the protective wall was fairly high, industrialists would be attracted to starting that very industry and by the number of industrial concerns that will be started in that particular protected industry internal competition will come to the relief of the consumer and the burden will therefore be to some extent lessened. Now, that is an aspect which cannot be ignored but I agree again, as I said, that in some protected industries there is a danger not merely of that fierce internal competition which reduces prices to a normal and reasonable level but of that over-production which will at the same time bring disaster to many concerns. There again, as my friend Sir Ramunni Menon has pointed out, there are various other points to be taken into consideration. It may be that an industry started ten years ago when protection was first granted had not pursued those rational methods which later times have made it possible for new entrants in the industry to pursue. Its machinery may be of the old type. Its method of production may be of the old type. I know, Sir, there are industrialists in some other countries who pride themselves on the fact that the older the machinery the better their concerns are. I am aware of members of the British industries in such advanced places as Manchester who in the textile industry for instance, pride themselves on the fact that their particular machinery has been working since 1897 and is still going strong, not realising that the productive capacity of that particular mill or machinery may be very low compared with more modern industrial plants in Japan or elsewhere. Well, this is an aspect of internal competition which nobody can avoid except the industrialists concerned.

There is again the aspect that the location of the industry in the first instance may have been unhappy and that location in a more favourable quarter may well result in better and cheaper production, which cannot be said to be unfair competition with the older industry but which must be faced by the older industry. Very often industrialists have shifted their scene of operation from place to place just to meet that kind of competition. So to make the statement that internal competition has now taken the place of external competition and that the industrialists may be ruined on account of it and that protection may be extended to internal competition is a statement in an extreme form which must be examined with very much greater care and attention than the House has bestowed on it.

Now, Sir, let me turn to the sugar industry in particular, because all the arguments of my Honourable friends were hung round about the sugar industry. Now, the sugar industry is in a very peculiar position. I am aware of some of these difficulties and I hope in the course of my remarks to point out exactly what kind of difficulties the sugar industry is really faced with so that we may get over these difficulties. It is not due to the fact that my Honourable friend the Finance Member is levying excise duty from time to time that the

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sugar industry is handicapped. The policy of levying an excise duty on a protected industry was accepted and laid down by the Fiscal Commission. They pointed out that as an alternative to the customs revenue which is often lost when protection is granted, the State may have recourse to the levy of an excise duty and so recoup the loss when the industry has fairly found its feet, thanks to the policy of protection. The grievance is not in the levy of an excise duty but the grievance or the difficulty is elsewhere. Let me turn at once to what that difficulty is. When the second Tariff Board on Sugar was constituted, when it examined the industry and when it laid down the conditions of protection, my Honourable friend will find that the Board suggested that the fair price that may be offered to the sugarcane producer who delivered his sugarcane to the mill was 5 annas 6 pies per maund. That was before my Honourable friend thought of levying the excise duty. I believe on the 15th of February, the price that the sugarcane grower could demand from the mills was 10 annas, with a cess duty of 6 pies collected by Government. So that the price of sugarcane was 10 annas 6 pies delivered at the mills and the mills had to manufacture sugar at that price. (*An Honourable Member* : "Wasn't that entirely due to the depreciation in the price?") I am coming to that. That is exactly my point. I was not blaming the agriculturists for demanding that price. I was merely pointing out that that was the minimum price that the mills had to pay. (*An Honourable Member* : "Which provinces used to pay 10 annas 6 pies?") The United Provinces and Bihar. Those two Governments had laid down that that was the price. Let me take the Honourable Member back to some history so that this question may be appreciated better. Some time back, the Ministries of these two Provinces having consulted each other laid down a formula by which the price of sugarcane which should be paid by the mill to the sugarcane cultivator was related to the price of sugar. I believe it was my Honourable friend Pandit Kunzru who pointed out the vicious spiral that was set going by that arrangement. As the price of sugar increased, the price of sugarcane went up. As the mills had to pay a higher price for the sugarcane, the price of sugar was further increased. And so the spiral went up and the Government fixed this price of sugarcane every fortnight. Now, Sir, I remember when I was in another capacity in the other House at the time when the sugar industry got the protection recommended by the Tariff Board, simultaneously another measure was passed by the House in the interests of the agriculturists. That was the measure which enabled Provincial

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Governments to fix a minimum price for sugarcane.

Mark my words, Mr. President—a minimum price for sugarcane. It was hoped at that time on the report of the Tariff Board that the minimum price would be 4 annas 6 pies. As I said, a later Tariff Board report suggested that the price of sugarcane should be 5 annas 6 pies. What the Governments have done is not to fix a minimum price so that the agriculturist may not be exploited by the all-powerful industrialist, the sugar manufacturer, but to fix what in effect is both a maximum and a minimum price. They cannot pay less than 10 annas to the sugarcane cultivator or less than 9 annas 3 pies at the next stage and so on. It may look *prima facie* that it is all in the interests of the agriculturist, that the more money he receives the better it would be for him. But, apart from the question of killing the goose that lays golden eggs, there is another aspect of the question which has to be borne in mind. I am credibly informed that the industrialist having to pay this higher price has taken upon himself the farming of sugarcane cultivation farms and working it on a proprietary basis so that no question of the amount he pays to the sugarcane cultivator arises, and that movement is spreading both in the United Provinces and in Bihar. If you take that factor with another

factor which is of no less importance, namely, that the amount of sugarcane which is consumed even in the United Provinces and Bihar by the mills compared to the total production in those provinces is not more than one-fifth of the whole production, and the rest, four-fifths, has to be disposed of anyhow by the agriculturist at prices which nobody can control and neither your minimum nor your maximum is applicable in such cases you have a much truer picture of what the agriculturist stands to gain or loose by this arrangement. It is not all gain to the agriculturist and therefore the whole problem seems to me to review this arrangement which has been come to by these two Governments by relating the price of sugar to the price of sugarcane every fortnight and seeing whether that is a fair one either to the industry or even to the agriculturist. Let me add one final observation. After all, sugar is produced not in one province, not even in these two provinces, though the bulk of the production is there, but in many other provinces in the country. In Madras, for instance, in the Punjab—

THE HONOURABLE MR. SHANTIDAS ASKURAN : “ Bombay ”.

THE HONOURABLE DEWAN BAHADUR SIE RAMASWAMI MUDALIAR. —in some of the Indian States and I would not have forgotten Bombay even if my friend had not reminded me of it,—in Bombay also. Un-co-ordinated action in the fixing of the price of sugarcane, a high level of price in one or two provinces, with unregulated prices—and, if regulated, at a regulated price much below that which has been fixed in these two provinces—is an obvious danger as much to the sugarcane cultivator as to the producer of sugar, which neither of these two Governments can afford to ignore. These are factors which have to be brought home to the industry, to those who represent and speak in the name of the agriculturist and last, though not least, to the Governments concerned. My Honourable friend thought that some kind of licensing of starting of new concerns of this nature may be helpful. That leads me to constitutional conundrums of a very deep character indeed, and I am sure my Honourable friend will realise that apart from the constitutional conundrums which he can gather from looking at the Schedules to the Government of India Act, there are other difficulties which I may point out, difficulties which perhaps may make him less venturesome in putting forward such suggestions in future. The question of licensing of these new concerns is an aspect of socialisation—if I might use that word in an inoffensive manner—which cannot be ignored. If once that policy starts, nobody knows where it will stop, and I do not feel that at the moment, with the materials at my disposal, I can give a bend in that direction at all, especially as I do not know the dangerous possibilities to which it may lead either this Central Government or any other Government. That remedy, therefore, for the moment I have put aside. In the very interesting speech that my Honourable friend Pandit Kunzru made there was a suggestion which I believe may be more helpful. He used that phrase which has served on a number of occasions any Commerce Member. He said that the good offices of the Commerce Member should be utilised to see whether some sort of co-ordination can be brought about between the activities of the various Provincial Governments and whether the industry cannot be helped and the agriculturist cannot be helped through those good offices. Sir, I am perfectly willing that the Commerce Department of the Government of India should use its good offices, and if there is any response either from the industry, and more important still, from the Local Governments concerned, for there are not merely two but more than two Governments concerned in this matter, I shall be very happy to use my good offices to see that the sugar industry in particular faces the difficulties that have arisen in a more equanimous manner. (Applause.) I hope some

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time in the course of the month of May or early in June I shall have the opportunity of using those good offices.

Let me dispose of a minor point which my Honourable friend Mr. Hossain Imam has raised, the question of petrol and of petrol prices. I believe I had occasion to make a reference to this matter in this House but my memory is not quite strong and I have not had the time to verify the fact. But the position is very simple. I intervened in the course of his speech and said that though the Government may not control the price of kerosene and of petrol, they have taken good care to see that the prices now ruling are according to their wishes in the matter. At any rate, they have had a voice in the fixing of those prices by the companies concerned. My Honourable friend thought that the prices have gone up very high indeed, and I am not surprised he should have thought so, because to those who are not initiated into the mysteries of the kerosene and petrol trade, that would be the natural inference. Let me tell you the exact reasons why the prices have gone up at the present time. Soon after the war broke out it became incumbent on the Commerce Department to examine the position of kerosene and of petrol. My Honourable friend may remember that India—and I am now speaking of the India of the Government of India Act, 1935—is a producer of a very small quantity of petrol, and that Burma is the producer of kerosene and of petrol in large quantities. But the position is not merely that. When we examined the figures of our imports we found—and now I confine myself purely to petrol but the same arguments will apply to kerosene if any Honourable Member desires to know the position with reference to kerosene—we found that contrary to my friend's expectations or belief, about 70 per cent. of the petrol consumed in this country came either from Burma or was produced in the two oil fields here, and that 30 per cent. had to be imported from other foreign countries. Now, my Honourable friend is also aware that the rupee has depreciated with reference to the dollar and the foreign countries from which this additional petrol had to be brought in were countries which were linked with the dollar. The result of that was that the price of petrol in those foreign countries, not due to any excess in cost of production but merely owing to the exchange factor, had gone up. The question that faced the Commerce Department was this. We could have had perhaps the Burma part of the petrol and kerosene at the old prices because Burma and India are on the same rupee basis. But we could not get, if we control the price at that rate, this 30 per cent. imported article from outside which had gone up because the rupee had depreciated with reference to the dollar. There were two alternatives facing the Commerce Department. One was to suggest that we need not have the 30 per cent. imported article, to fix the price of the Burma petrol at the old price and to continue the supplies on that basis. My Honourable friend has already referred to the large quantities of aviation spirit that are required by the Military Department and by the Supply Department. During the course of the debate for the last two days I have heard much concern expressed at the position of the bus owners owing to the fact that 2 annas excise duty has been put on. What would have been their position if 30 per cent. of the supply for this country had been cut off and the country had been rationed on the balance of 70 per cent. of its normal requirements? I know that there are countries where it is not the price factor that is the main consideration but the question is whether any petrol could be had at all, and there are services that have gone out of use in the United Kingdom, for instance, because neither for love nor for money can you have this most precious of all articles required for war purposes, namely, petrol. Is it not better even by allowing the proper exchange for the dollar that we should get this additional petrol and keep our bus trade going than that we

should put a lid on the price, thereby forcing these companies to go to other markets which are much more attractive and which would welcome them and have their supplies discharged there? But the position was not merely that. We did not merely allow the imported petrol from foreign countries to charge their full price on the dollar exchange. Thanks to an arrangement which the Burma Oil Company was agreeable to, we pooled the cost of the 30 per cent. from foreign countries at their price and the 70 per cent. of the petrol at the normal price and took the average for the whole, and that is the price that has been agreed to and is ruling from the 1st of January. The understanding is that that arrangement will continue for six months, that the Government will review the position at the end of every six months, that auditors will examine the position of the imported quantity and the indigenous quantity, if I may use that term to connote both Burma and Indian supplies, and that on the basis of that the Commerce Department will come to an arrangement again with the oil interests concerned in the matter of fixation of prices. I venture to state that after that explanation the Government of India may be safely absolved from the charge of having had no regard to the price factor and the charge that they have allowed these oil companies to exploit the situation.

THE HONOURABLE MR. HOSSAIN IMAM: May I know what was the basic price fixed at the port of entry?

THE HONOURABLE DIWAN BAHADUR SIR RAMASWAMI MUDALIAR: I have not got the figures, but the formula was that a basic price was fixed at the port at which the oil was imported, and I can assure my Honourable friend that figures are being sent to the Government of India and the Commerce Department which show that whatever price at which it is sold at other places it merely means an addition of the transport charges, the normal charges which have been applied even before the war for such cost of transportation and other factors.

My Honourable friend, if he will pardon me I will pronounce his name as it ought to be pronounced and not as it was at a famous dinner party in England, the Maharajahdhiraja of Darbhanga, made a very interesting suggestion with reference to our export policy. He suggested that there might be an export drive. I have heard also complaints at the recent meeting of the Federation of Chambers of Commerce about our export policy and I have received numerous telegrams from various grain merchants' associations and other organisations connected with the export trade that the arrangements that we have made are giving room for complaint. I wish to take this opportunity, if the House will permit me, of explaining the position, because I feel that a great deal of misunderstanding has been created by the apparent secrecy of our aims and of our policies in this matter. Sir, more than one Honourable Member has stated that this war is being fought with grave issues for everybody concerned. I wish to make my position as an Indian and as a citizen of this country perfectly clear with respect to that war. There have been hopes held out that at the end of the war my country and my countrymen will attain a status and a position of which they will not be found unworthy on the one hand and of which they need not be ashamed on the other. Declarations by His Excellency the Viceroy, the Secretary of State and others have been referred to. My mind is perfectly clear on one point, Sir. Whatever may be the result at the end of the war as a consequence of allied victory with reference to the status and position of this country, whether our hopes come true or whether they turn to ashes, whether the quantum of that hope is what most of us expect it to be or whether it is reduced in quantity, there is one fact of which I am perfectly clear, and all my actions as a responsible Member in charge of the Commerce Department have been motivated by that fact and by that consideration. It may be that we shall gain as a result of the success of the Allies in this war. On that I shall

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not dilate. But I am certain that if the Allies lose we lose all. There can be no question of that, and every Member of this House of Elders at any rate, I am sure, realises that loss to the Allies in this war means an utter annihilation of all our hopes, whatsoever those hopes may be and howsoever high or low they may be pitched. Sir, I give that merely as a background of the motives that have prompted me and the Department with which I am concerned in taking certain steps. Let me refer to this most difficult of questions, the question of export of some of our commodities. It has been freely stated in certain sections of the press that the whole policy of the Government has been to so restrict their exports that they can buy in the cheapest market and make a present of it to His Majesty's Government or to the Allies. I wish categorically to deny that statement, and I wish to deny that statement on the basis of facts which I shall presently put forward for the consideration of this House. Now, Sir, what is the exact effect of the war on the question of our export market? We start with the position that directly the war broke out we lost the export market so far as enemy countries were concerned. It is a mathematical problem which is not difficult of solution that if a certain quantity of raw materials was exported to various countries and if a portion of that quantity is suddenly restricted and could not be exported (because there is no question that you could possibly think of exporting these materials to enemy countries, whatever the gain may be or whatever the loss may be) the price must come down on those raw materials unless an alternative market is to be found, and it is not easy to speak of alternative markets in war conditions. But that is not the whole story. Honourable Members would have noticed particularly during the last few days the reinforced policy of His Majesty's Government with reference to the economic blockade which has to be carried on to prevent Germany from getting those necessary materials which will prolong the war, prolong human agony and perhaps even make the ultimate issue rather more uncertain than it is at present. It is a policy with which this country, I venture to state, must necessarily for the considerations that I have already put forward associate itself. In actual practice it means that not only should we prohibit our exports to enemy countries, but we should also prohibit some of those exports to neutral countries which are in a position to pass on those exports to enemy countries, a further restriction on our exports. Is it any wonder that the prices should fall under these circumstances? If we are to prevent our exports going to enemy countries, and I trust there is no one in this House who will demur to that,—if we are to prevent our exports to neutral countries going to enemy countries, if we are to restrict the quantum of exports to neutrals so that no surplus can get passed on by them to enemy countries, then it seems to me axiomatic that the quantum of exports having been materially reduced and the surplus on our hands having been materially increased, the price must be disadvantageous to the agriculturist. These are facts which have to be taken into account, however much we may regret them.

My Honourable friend Mr. Sapru made a very true statement in the course of a very eloquent speech yesterday. He said that even if India was not involved in the war, she would have to face the problems. This is one of the problems that have to be faced. Whether India is involved in the war, as she is at present, or whether she is not, she has to face these problems. Supposing, for a moment, that India as a country was neutral. Does any Member suggest that these problems would be absent? To add to the other problems, there would have been the problem of contraband control, of the searching of ships, of getting shipping certificates, and of other possibilities, which neutral countries are today experiencing. Thanks to the fact that we are all in this Commonwealth, we have got over these difficulties and when a shipper puts his

goods on board his ship, subject of course to any unforeseen contingency like the provocative action of the enemy, he is certain that his goods will reach the other shore without any question of contraband control. A most powerful country like the United States of America has had to experience this difficulty, and you know very well, Sir, what trouble there has been. It is a war, a serious war, a life and death struggle which here in this country and sitting in the cool atmosphere of this House under your benign presence, we may not always realise, but it is there all the same and the issues are so profound that none of us can ignore them. I am venturing to dilate on this subject at some length because I want my countrymen to realise why we pursue certain policies and what justification there is for pursuing them.

Now, Sir, there is another aspect of this export policy which I should like to touch on. There is one contingency under which we may stop the export of goods not because they would reach enemy countries either directly or indirectly. If for one of our own allies we require a particular commodity and there is not enough in the world or in the Commonwealth which that country can afford to buy or there are other circumstances which prevent the country from going into foreign markets and it does require it from its own markets, I think it is our duty then to provide the United Kingdom or the allies with that commodity. But I still couple it with this, that it is not our duty to exploit our own producers and force them to sell at a loss. That is not our policy. There we stand for a fair deal, very often perhaps tested by this test of prices with regard to world parity of similar goods from other countries. It will not be fair, and I am sure His Majesty's Government does not expect, to buy goods from this country at a lower level of price than it would have had to pay if it had gone to other countries and purchased them. It was only the other day that we virtually prohibited the export of some oil seeds to all foreign countries because we were told that His Majesty's Government required that commodity. Speculators entered the market and every morning I found a sheaf of telegrams on my table. I believe my Honourable friend the Commerce Secretary issued a press notice yesterday that there was no reason for that misunderstanding, that the reason why the export was stopped was because we wanted to conserve supplies, for the Allied Governments, of that particular commodity and we hope to have a fair price settled for this commodity when it came to the question of its being sold.

Now, Sir, I trust that both in this House and outside this continuous suspicion that we are doing something against the interests of our agriculturists and our countrymen for the sake of making anybody wealthy, that there was no serious policy behind these restrictions but that somehow or other the agriculturist, unheard and unrepresented, is being forced to accept prices much below world parity so as to give somebody else an advantage, this suspicion will be removed. I would like to go a step further. With reference to these exportable goods, there have been complaints from time to time that individual shippers have not been given this right and that right, that time is being wasted, that when a ship is in dock freight space is difficult to get, and that unless we arrive at a quick decision freights will be lost. I have told the House that in many of these cases the possibility of these goods reaching the enemy is of prime importance. A consignee at the other end may have such a close connection with the enemy that with the most innocent intention he may have to pass on the goods to the enemy, and when an examination has to be made for the credentials of the consignee, information is not always at the disposal of the secretary who attends 20 hours a day at his office, and invoices have to be held up. References may even have to be made and have been made in the past to the India Office and His Majesty's Government regarding the credentials of a

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particular consignee before the goods can be moved. It is very difficult for the contractor of these goods, the shipper who wants to send them out, to appreciate all this. But I am prepared to go to this extent both with reference to the suggestion that has been made by the Maharajahdhiraja and a similar suggestion that was made by the members of the Chambers of Commerce at their meeting. I am prepared to consider the question whether it is not possible to form some sort of Export Advisory Board on which may be represented shippers and agricultural representatives and others who from time to time may bring to the notice of the Government the practical and actual difficulties that they are faced with. No question of policy can possibly be referred to that body. Questions of policy, as I have indicated, must remain with the Government of India. But with reference to actual detailed difficulties which we sitting at Delhi and Simla may not properly appreciate and the interests concerned may wish to point out, I am prepared to consider the possibility of constituting such an Export Advisory Board which I am certain will be of great assistance to the Department itself in solving some of these difficulties. Believe me, Sir, there is no intention on the part of any Member of the Government to hamper trade and commerce, but trade and commerce in its turn must also realise the difficult times we are going through and the responsibilities that naturally attach to us. I must here take the opportunity of referring to one factor which is extremely pleasing. I note and I wish to testify to the fact that there is a change in the general attitude of the Federation of Indian Chambers of Commerce, as has been evinced in its proceedings at the last meeting. The Honourable the Finance Member has been congratulated on the sweet reasonableness that has characterised his attitude on various questions and I think we shall not merely be exchanging compliments if I for my part—and I may say my Honourable friend the Finance Member will agree with me—say that there is a distinct change in the attitude of the Federation and I hope that that change will continue. I do not say that in any patronising spirit, Sir. But I say that because, holding the portfolio of Commerce, I realise how essential it is that the Member in charge of the Department and his Secretariat and the industries and trades concerned should have the fullest trust and confidence in each other and not be merely bandying compliments not entirely complimentary to each other. That atmosphere of suspicion must go and, on the other hand, we should both feel that we are in the same field, working for the same purpose and trying to achieve the same objective after all. (Applause.)

Sir, let me refer very shortly—I am afraid I have taken more time than I had intended—to the Board of Scientific and Industrial Research, which has been recently constituted. I wish to deprecate any idea that there may be in any quarter that this is something absolutely new and novel which the Government of India have not so far contemplated. My Honourable friend has referred to the Industrial Research Bureau which has been carrying on similar work. He will also remember the Test House at Alipore which has been of the greatest use to all industries in standardising their products and in testing their products. The Government have by a number of institutions—the Metallurgical Institution and various other institutions—been trying to help research work with reference to trade and industry. In their own concern and within their own peculiar purview, the munitions industry which has been carried on by the Government for several years, of which little is known even to those members who have interested themselves in the Defence Department, has had an elaborate research carried on and I was one of the very few that was privileged about a decade ago to witness this research institution and to see the kind of work that is being carried on. I am glad to see from the newspapers that inspired

and more or less authoritative articles have appeared recently stating the kind and nature of the work that has been carried on in these various Governmental institutions. Honourable Members will not be surprised to learn of the amount of accuracy that has been achieved in these factories where an error of ten-thousandth of an inch is detected and is avoided by such research work that has been undertaken.

Now, Sir, a reference has been made in the course of the remarks of some Honourable Member that he did not know what Dr. Gregory was doing in this matter. Some reference was made to some pamphlets which it was hoped would be issued, at the instance of my Honourable friend's predecessor, Sir James Grigg, and it was pointed out that those pamphlets had not issued, but, as usual, we are trying to hide our light in a bushel. These pamphlets have not been circulated to Honourable Members of this House. My wonder is, not what Dr. Gregory is doing. My wonder is to find out what Dr. Gregory is not doing, with which Department he is not concerned, and with what investigation he is not associated, and it has been a perpetual wonder to me how Dr. Gregory's agile mind can turn from one phase to another and be in a position to have an output so speedy and so efficient as he is having with reference to various Departmental consultations that are taking place. Let no Member be under any misapprehension that Dr. Gregory is wasting his time. So far from that, he has had his time more than full, as I can testify from my own personal knowledge. He is the driving force of the Economic Resources Board. He is expected to be—not indeed a member, but expected to be present at every meeting of this newly constituted Board of Scientific and Industrial Research.

Now, Sir,—

THE HONOURABLE MR. HOSSAIN IMAM : Will the Honourable Member make these pamphlets available to us ?

THE HONOURABLE DEWAN BAHADUR SIR RAMASWAMI MUDALIAR : I have already suggested to the Commerce Secretary that these pamphlets should be made available to Members of this House.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : What about the desire of the Finance Department for economy ? They have stopped the circulation of their own publications.

THE HONOURABLE SIR ALAN LLOYD : They only cost 6 annas each.

THE HONOURABLE DEWAN BAHADUR SIR RAMASWAMY MUDALIAR : My Honourable friend the Finance Member will agree that it is most important to have these pamphlets circulated to Honourable Members and to avoid the time that is spent in discussing about it (Laughter).

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The Government of India must have greatly changed their view point then.

THE HONOURABLE DEWAN BAHADUR SIR RAMASWAMI MUDALIAR : With reference to this Board I wish to make the position perfectly clear. Applied scientific research has two main objects, the improvement of the existing and the introduction of new industrial methods or products. Both are necessary for the normal industrial growth of a country. The main problem is to encourage and assist the movement for industrial research, without taking over functions which are best carried out by the industry themselves. Before

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the result of any laboratory research can be applied in industrial processes, it is nearly always true to say that patient and skilled investigation is necessary on a large scale. The bulk of this work can only be done by men who are in the closest possible touch with actual industrial operations. So far as industry is concerned, therefore, a large portion of the work of Government Research Departments must necessarily be directed towards helping industry to help themselves. That is the reason why, Sir, on this Board industrialists, those who are active industrialists, those who have not been merely content to follow the footsteps of other successful industrialists but have had a certain amount of initiative and drive in them, some of such industrialists have been chosen. It is my hope that with the establishment of this Board, the necessary help that can be given to the industry by way of research activities which have to be applied after all by the industry themselves will be forthcoming. Sir, I do not want to make any claims for the new institution that has just been started. I would rather have encomiums on that body or on the Commerce Department as a result of their work than to have encomiums in advance in expectation of what may be done. I do not know how it will function. We shall do our honest best to see that the object with which it has been started is kept in view throughout the course of its work. My Honourable friend referred to the Industrial Research Bureau and asked what position it will have with reference to this Board. Having just initiated this Board, it will be much too early for me to say how exactly the two can be co-ordinated, or whether the one can be brought under the other, whether the Alipore Test House can be separated and isolated, whether a national physical laboratory can be built, or the laboratory at Alipore can be improved. These are all problems which must await solution, and we must, even in the Commerce Department, have breathing time before we can come to exact conclusions on these points. All that I can say is that we shall see that there is no overlapping of work or duplication of duties with reference to such research institutions.

Mr. President, I really must conclude as I know that there are other colleagues of mine who have got observations to make. I must thank you, Sir, personally for the very warm and affectionate corner you have had in your heart for me. (Applause.)

THE HONOURABLE SIR JEREMY RAISMAN (Finance Member): Sir, I feel that after the masterly survey of the economic policy of the Government, which my Honourable colleague has with his customary eloquence placed before the House, my own few remarks must necessarily be somewhat of an *anti-climax*. But, before I pass on to what I have to say, I would like, in case Honourable Members of this House have been misled by the excessive modesty of my Honourable colleague on the subject of the part which he himself has played in formulating the economic policy of the Government in recent months—I would like to state my conviction that his own contribution to that policy is, as I am sure it will always be, a most substantial one. It is only necessary for Members of this House to review in their own minds the considerations which my Honourable colleague has just put before them to realise how complete a mastery he has of all the main issues involved. Now, Sir, in the circumstances of this year the debate on the Finance Bill was concerned even less than normally with narrow financial and taxation issues. The Bill for the first time for many years came before this House not in a certified form, and I should like to express here, as I did in another place, my gratification at this return to what I trust will be the more normal experience in future. In the

second place, the actual measures for raising the necessary revenue have found, I am glad to say, a very large measure of acceptance, an almost universal acceptance amongst Honourable Members of this House and there is, therefore, very little for me to say in regard to the provisions of the Bill and the criticisms made thereon. My Honourable colleague has covered so completely the remarks which dealt with the wider field of economic policy that I could not myself presume to deal again with those points without repetition and without inviting, if I may say so, a comparison which would not be complimentary to myself. I will merely touch therefore on a few points which were not comprised within my Honourable colleague's reply.

I find that my Honourable friend Mr. Shantidas Askuran had asked not merely that the Standing Finance Committee should be supplemented by an Estimates Committee, but also apparently that a Retrenchment Committee should deal with expenditure. One of the facts which I trust has emerged from the speech just made by my Honourable colleague is the tremendous amount of additional work in the new field of activity on which the existing Government machine has had to embark. It seems to me that to repeat in an automatic way the catchwords of previous years shows an extraordinary lack of imagination. If the Honourable Member will pause to think for a moment of the breadth and multiplicity of the functions which Government has to take on itself in war time, he must realise that the problem is not how to dispense with the existing means of Government activity but how to secure more, and more suitable, instruments for carrying out those activities. If what the Honourable Member had in mind was merely a reduction in salaries, then I dealt on a previous occasion —

THE HONOURABLE MR. SHANTIDAS ASKURAN : I have never touched on that.

THE HONOURABLE SIR JEREMY RAISMAN : It is obvious that even if there were any justice in adopting such a proposal at the present time it could only make a very small contribution to the problems of war finance. I can only say that this recurrent insistence on the appointment of this committee and that committee shows a failure to appreciate the mass of additional work which is thrown on the existing machinery of Government. As regards my own Department, the existence of the Public Accounts Committee and now the existence of the Standing Finance Committee will throw on my Department and on the officers of other Departments a considerable additional burden. I do not grudge the time that will have to be devoted to explaining and justifying our proposals to representatives of the Legislature ; but I do at the same time ask Honourable Members to realise that that process cannot be extended indefinitely without causing a breakdown in the machinery of Government.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Why don't you utilise the same Committee for this purpose ? There may be no separate committee ; the same committee can function.

THE HONOURABLE SIR JEREMY RAISMAN : I could utilise the same committee but the officers would have to be in waiting twice as long in order to explain the estimates as well as justify new proposals. That is what my Honourable friend does not realise. It is possible that members of the committee may have time to sit here for six weeks instead of three weeks, but my point is that the officers of Government have not got time to be in attendance and to prepare the material for a six-week session of a committee instead of a three-week session. .

[Sir Jeremy Raisman.]

I will not endeavour to traverse the objections which have been raised to the new taxation proposals; they have generally been admitted to be inevitable, and I feel that Honourable Members do realise that objections of this kind can be raised to any alternative tax, and probably objections of a severer kind. It is impossible to make an omelette without breaking some eggs. It is impossible for a Chancellor of the Exchequer to perform the miracle of raising additional revenue without taking it from someone. It is obvious that if additional revenue is to accrue to the Central Government it must accrue from somebody. Therefore to say that road transport will suffer an additional burden, that the consumer of sugar will be also asked to contribute, is merely to repeat that a new tax has been imposed, an additional tax has been levied.

I would only advert briefly to one point which my Honourable friend also referred to and that I think was the amendment of the Niemeyer Order in Council and to express my surprise that certain classes and certain bodies have in the same communication in which they protested against the additional taxation levied by the Central Government also protested against the steps taken to amend the Niemeyer Order in Council.

THE HONOURABLE MR. SHANTIDAS ASKURAN : Including Provincial Governments !

THE HONOURABLE SIR JEREMY RAISMAN : I am not at the moment referring to Provincial Governments, because I understand that there is bound to be a feeling on their part that larger revenues might have accrued to them as a result of the unusual situation produced by the war if they had been allowed to accrue by the retention of the old formula. But I am strongly of opinion that it would have been a most anomalous position if the provinces had stood out as the greatest profiteers at this time and the Central Government had been forced to face a deficit twice as large in order that the provinces should find themselves the inheritors of revenue which they never contemplated. But what I was referring to at this moment was not so much the criticism of the change in the Niemeyer Order as that certain bodies, certain classes, mercantile classes who were objecting to new taxation for the Centre at the same time took the opportunity to represent that they felt sore over the amendment of the Niemeyer Order in Council.

Now, Sir, I come to the remarks of my Honourable friend Mr. Hossain Imam, and I wish that he could sometimes, on the occasion of the annual Finance Bill, tune himself to a lower level and pitch his remarks in a less recondite and technical key so that humble intelligences like my own might be able to follow him. Now, Sir, he alluded to several aspects of the working of the Reserve Bank of India. I think I said once on a previous occasion that he has never hesitated to rush in where (*Cries of "angels"*) fear to tread. I do not wish to underestimate or depreciate in any way the competence of my Honourable friend to comment on these matters. But I do feel that his whole approach to the question of Reserve Bank profits is entirely wrong. I think I pointed out last year that in setting up a Central Bank and in allowing it to function in its own way in certain respects, we proved the integrity of our own intentions and that it would be absurd for us to insist on securing from the new machinery the same profits as had accrued in the past from the working of the Currency Department. Now, in recent years it is obvious that the Reserve Bank has had to build up reserves in order to fortify its position for the future, so that even the profits which have accrued to the Reserve Bank have not been available for distribution to the shareholders and to Government.

as they might have been if the Reserve Bank had been in existence for a longer time. But in the circumstances of the last year, it will be obvious to anybody who considers the first effects of war on the price of Government securities that, however much the profits which the Reserve Bank might have made, they were bound to be largely neutralised by the writing down of the value of its investments, which was obligatory on the Bank. The position which the Bank had to take into account was that on the 31st of December last. It is true that since then the prices of most Government securities have greatly appreciated and therefore there is now a considerable reserve, so to speak, a greater reserve in the hands of the Bank, and I have no doubt that that will be reflected in the future distribution to Government of profits.

THE HONOURABLE MR. HOSSAIN IMAM : An underestimate, that is to say.

THE HONOURABLE SIR JEREMY RAISMAN : No, Sir, it is not a question of underestimation. It is the duty of the Bank. My Honourable friend must surely realise that. He has made certain comparisons between the Reserve Bank and commercial banks—he must realise that a Central Bank is very much in the position of Caesar's wife in this matter and when securities stand at a certain price on a certain date, even though there may be an absolute certainty of their appreciation the next day, a bank in the position of the Reserve Bank can only take credit for the securities at the value at which they stand or the cost if lower, and that the reserve which may thus be created is a feature of ordinary prudence such as a Central Bank must cultivate.

But I do not wish to take the House into these technicalities. I do not think that this is the place, and I am prepared to admit that I myself am not completely competent, to discuss the finer points of Central Banking policies. One of the reasons why a Central Bank was created in India was that these matters should be regulated by banking and expert experience and should be less subject to political influence. My Honourable friend, for instance, talks about the fetish of liquidity. Well, Sir, that is a most extraordinary phrase to use in regard to a Central Bank which is the custodian of the security for the nation's currency. There can be no such thing as a fetish of liquidity. It is the duty of the Central Bank to maintain such a degree of liquidity, however high, as will enable it to deal with various emergencies which may arise and I entirely dispute my Honourable friend's view that the basis on which the Reserve Bank's policy rests is one which is open to criticism in this respect.

My Honourable friend had the hardihood to venture into the realms of revaluation of the gold reserve and utilisation of the proceeds of such a revaluation for the repatriation of debt. Well, Sir, it is true that most countries have now revalued their gold reserves but it should be a matter of congratulation and not of criticism that India has not yet been forced to do the same. To the extent that the gold which lies in the vaults of the Reserve Bank is worth more now than it was when the Bank was set up, we are fortunate and since none of these reserves have had to be dissipated and since the value is higher, there exists an additional element of strength in the resources which lie behind the currency of India. I trust that the occasion will not arise for recourse to those measures which the Honourable Member thinks should lightly be embarked upon.

THE HONOURABLE MR. HOSSAIN IMAM : Is your greater strength *vis-a-vis* Great Britain reflected in your treasury bills ?

THE HONOURABLE SIR JEREMY RAISMAN : If my Honourable friend is referring to the rate of interest which is available on treasury bills, that imports a large number of considerations other than the amount of the external reserves which stand behind one's currency. That is an entirely different matter. It depends on the conditions of the financial market. I would remind my Honourable friend that

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the market in England is nowadays under a very thorough domination by the Treasury, probably under a much greater degree of control than the market in India, and in any case, the rate of interest at which money can be borrowed on treasury bills is closely related to the general financial and commercial organisation of the country and is bound to be different in India from what it is in England.

Sir, there is one other matter on which certain Members of the House asked for some enlightenment and that related to the question of power alcohol. Well, Sir, I am not directly concerned with the power alcohol legislation which was passed by the United Provinces Legislature. As Honourable Members pointed out, that is a measure which has gone up for assent to the Governor and is not at the moment the concern of the Government of India. But there are certain aspects of the matter which I should like the House to realise. In the first place, the scheme for the production of power alcohol in the United Provinces—and I think Bihar—was drawn up some time ago and was based on certain economic facts which have since entirely altered. I am told that the price of molasses, for instance, is now very much higher than it was when the power alcohol scheme was being formulated. Now, one of the motives for the scheme for the production of power alcohol was, I believe, that the grower would receive more for his cane. That was soon abandoned because it became easy to demonstrate that any price that could be paid for molasses in any economic scheme of power alcohol production could not possibly affect the price of a maund of cane and could not, therefore, be passed on to the grower. Another stage was that the production of power alcohol would enable something to be paid to the sugar industry. Well, Sir, that consideration also seems to have been superseded because in the last stage we find—I am referring to the United Provinces Government scheme—that the power alcohol is to be entirely taken over by the Government and to be sold at a price fixed by it so that the greater part of the profit which would accrue on that power alcohol was now to go to the Provincial Government. Now, Sir, there have been many comments, both in this House and in the other House, on the tendency of the Centre and the Provinces to allow their fiscal jurisdictions to overlap and I am not sure what the legal position is. Here we have the case of a Government which is not in a position to levy an excise on a commodity but which compels all production of the commodity to be sold to it and takes to itself a power then to resell it to the public and to force it to be consumed. I merely indicate the nature of the problem which may arise in connection with a scheme of that kind. Sir, we are constantly under criticism for a supposed reluctance to utilise the economic resources of the country. Why we should be so reluctant, I do not know. But what I do know is this, that many of the schemes which are put before us as examples, as methods, of utilising the economic resources of the country—many of them—are typically complicated by problems such as this. In other words, the dish that is set before us is garnished with some very unattractive spice. In the case of the problem of utilising the molasses and increasing the production of motor spirit in this country it has been my most lamentable experience that nearly every Government authority which has sponsored this most desirable scheme stood to gain a very large sum of revenue at my expense. Well, Sir, I am not in a position to go into details on this

question, but I was anxious that Honourable Members should realise that the problem is not so simple as it might appear to them to be and that this is a field in which disinterested promotion of an economic purpose is extraordinarily rare and as I am representing the Treasury which is highly vulnerable in this sphere, I have to be exceedingly careful. The tax on motor spirit, I am sure Honourable Members will realise, is one of the most important taxes in this country. The yield is now of a magnitude comparable with that of the salt tax, so that it is a matter of the very first importance and we have to be exceedingly circumspect in dealing with proposals which impinge upon it.

That, Sir, is all I have to say, and I thank the House for their very favourable reception of my proposals and for their appreciation of what I have been able to do.

THE HONOURABLE THE PRESIDENT : The Question is :

" That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of excise duty on sugar other than *khandari* or palmyra sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary the rate of the the excise and custom duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, and the Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, as passed by the Legislative Assembly, be taken into consideration "

The Motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT : Clause 3.

THE HONOURABLE MR. HOSSAIN IMAM (Bihár and Orissa : *Muhamm-* *madan*) : Sir, I rise to move :

" That in clause 3 of the Bill to part (a) of the proposed clause (ii) of sub-section (2) of section 3 of the Sugar Excise Duty Act, 1934, the following proviso be added, namely :—

' Provided the price of sugar at Cawnpore does not rise above the prices on 28th March, 1940 by 7 per cent. at the time when duty is paid ' . "

Mr. President, my task has been lightened very much by the speech of the Honourable the Commerce Member in which he dealt with the troubles of the sugar industry. I shall now take very few minutes in discussing this amendment. The reason why I gave notice of this amendment was that there could not be any justification for giving up the additional duty if the industry was able to recoup it from the consumers. My experience of the sugar industry has been that it manages to reduce the prices during the period when sugar is being manufactured.

THE HONOURABLE THE PRESIDENT : Am I to understand that you are going to withdraw the amendment ?

THE HONOURABLE MR. HOSSAIN IMAM : No, Sir ; I am moving it, but I will not have to justify it so much because of the speech of the Honourable the Commerce Member. I have with me the figures of the fluctuation in sugar prices during the year 1939 and I find that there has been a tendency to depress prices during the manufacturing season and to upgrade them when the manufacture has ceased. The prices went up even to Rs. 15.; at the moment they are below Rs. 12. The sugar industry has been placed between the devil and the deep sea. On the one hand, it must compete with Java sugar and on the

[Mr. Hossain Imam.]

other hand it has to pay a price for its raw produce which is most uneconomical. The Honourable the Commerce Member very rightly pointed out the fact that the two Governments of the United Provinces and Bihar are trying to kill the goose that lays the golden eggs. It was due to the fact that it was possible to produce sugarcane at a cheaper rate than the sugar industry was concentrated in these provinces. If other provinces had been able to grow sugarcane at the price at which we were able to grow it, the sugar industry would have been distributed widely throughout the whole of India ; but merely due to the fact that it was economical to produce sugar at a cheaper rate in Bihar and the United Provinces all the factories were concentrated in Bihar and the United Provinces, although they are not owned by Biharis or the United Provinces men. Bombay is very well represented in the sugar industry. Sir, we realise this. We realise also the constitutional difficulty to which the Honourable the Commerce Member referred. But I venture to ask if there is any duty which the Government of India owes to the agriculturists as well as to the industrialists. Primarily it is the Government of India alone which can so settle the conditions that it would not be practicable for other new factories to come in and queer the pitch of the established industries and also of the cane-growers. The danger to which the Honourable Member referred, *viz.*, that the sugar mills were now starting their own farms, is a real and great danger. I have personal experience of my own in Bihar where they have started farming on their own account, and the Government's solicitude for the poor ryot is merely a lip service by those who are responsible for carrying on the Government in the provinces.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : On a point of order, Sir. May I ask whether the Honourable Member is moving an increase of duty ?

THE HONOURABLE THE PRESIDENT : I have not yet understood what the Honourable Member is driving at.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I am asking the Honourable Member to explain what he is aiming at.

THE HONOURABLE THE PRESIDENT : I have been waiting for it ; it has not been forthcoming.

THE HONOURABLE MR. HOSSAIN IMAM : My proviso says that this exceptional clause by which the Honourable the Finance Member gave a concession worth Rs. 71 lakhs would be only operative as long as consumers benefit from it and it will not be allowed to go into the pockets of the industrialists alone because cane-growers have already received the price, whatever it was. Between the consumer and the industrialist there is to be a division. As long as the industrialists are losing money they may be profited by the exchequer ; the exchequer should reduce the rate of the duty. But if the increased price rises above 7 per cent.—there is no fetish about 7 per cent., simply an increase of one rupee per cent. has been equated —

THE HONOURABLE THE PRESIDENT : You want a rise in the price ?

THE HONOURABLE MR. HOSSAIN IMAM : No. This will operate only as long as certain conditions prevail.

Reference was made, Sir, by the Honourable the Finance Member to power alcohol. I was rather surprised when the Honourable Member stated that in the case of power alcohol the Provincial Governments want to pocket the excise duty. As far as my information goes, they had provided that the Central Government will get its excise duty.

THE HONOURABLE SIR JEREMY RAISMAN : I indicated that what was contemplated was a scheme whereby the Provincial Government would buy the power alcohol at one price and sell it at another and that since the Provincial Government had no power to levy an excise on power alcohol, a legal problem arises from that. That was what I indicated.

THE HONOURABLE MR. HOSSAIN IMAM : I thought he meant that the manufacture of power alcohol will deprive the Central Government of its share of Rs. 2 crores which it now derives from petrol. If that impression of mine was wrong, then I am sorry.

THE HONOURABLE SIR JEREMY RAISMAN : That is only, Sir, when the power alcohol is manufactured outside British India. If it is manufactured in an Indian State, then I lose the whole of that tax.

THE HONOURABLE MR. HOSSAIN IMAM : The Central Legislature or the Central Government of India are at the moment powerless to prevent Indian States from manufacturing power alcohol. Constitutionally under the Government of India Act they have no *locus standi* in this matter so far as States are concerned. But that is an extraneous matter. It has no connection with the problem that we are dealing with.

THE HONOURABLE SIR JEREMY RAISMAN : It has a very important connection, because at the present moment the greater part of the motor spirit consumed throughout India, whether in British India or in the States, pays the duty to the Central Government.

THE HONOURABLE MR. HOSSAIN IMAM : Similarly, Sir, if power alcohol were to be manufactured in British India, the Honourable Member could charge it and even when it went to Indian States it would be so charged.

THE HONOURABLE DEWAN BAHADUR SIR RAMASWAMI MUDALIAR : No.

THE HONOURABLE MR. HOSSAIN IMAM : The Honourable Member may say "No", but I would ask him to cite to me any definite provision in the Government of India Act by which he is debarred from doing it. If excise duty can be charged on petrol, there is no reason why excise duty cannot be charged on power alcohol if it is manufactured in British India.

THE HONOURABLE SIR JEREMY RAISMAN : I am afraid the Honourable Member must take it from me that what I said is correct. It will take too long to explain it to him, but it is a fact.

THE HONOURABLE MR. HOSSAIN IMAM :¹ If there is a constitutional difficulty it can be got over by running to Whitehall and making an amendment of the Constitution Act.

THE HONOURABLE SIR DAVID DEVADOSS : It could be done to-morrow ?

THE HONOURABLE MR. HOSSAIN IMAM : It is a long range policy. Sir David Devadoss should know that we are not talking of today. We are talking of years ahead. We are not so short-sighted as to consider only what will happen on the 4th April.

THE HONOURABLE SIR DAVID DEVADOSS : Let us pass this Bill.

THE HONOURABLE MR. HOSSAIN IMAM : At the moment I am referring to the fact that all the difficulties which the Honourable the Commerce Member related arise because 30 per cent. of our petrol supply had to be imported from outside. Now you are able to manufacture 20 per cent. of your requirements from power alcohol and there would be no need of spreading the burden on the rest of 70 per cent. which the Honourable the Commerce Member has done. He has very kindly stated what is the real position but that has further brought out the glaring fact that the Government of India is not working on making India self-sufficient.

THE HONOURABLE SIR JEREMY RAISMAN : On a point of order, Sir. Is the Honourable Member speaking to this amendment ?

THE HONOURABLE THE PRESIDENT : He is not. All the time I have been wondering what he is talking about.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I was saying that this duty should be reduced so that other concerns may not come in and start new factories. The Honourable the Commerce Member pointed to the fact that when the quantum of protection is increased there is a possibility of new companies coming in and in that sense, Sir, it will queer the pitch of the present industry.

THE HONOURABLE THE PRESIDENT : I would advise you to withdraw the amendment.

THE HONOURABLE MR. HOSSAIN IMAM : Very well, Sir, if it is your advice, I will withdraw the amendment as I feel doubts on its admissibility.

The amendment was, by leave of the Council, withdrawn.

Clause 3 was added to the Bill.

Clauses 4 and 5 were added to the Bill.

Schedule I was added to the Bill.

Clauses 6 and 7 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. C. E. JONES : Sir, I move :

"that the Bill, as passed by the Legislative Assembly, be passed."

THE HONOURABLE MR. HOSSAIN IMAM : Mr. President, the Honourable the Finance Member remarked that I had the hardihood to raise the question of the revaluation of the gold reserve. I should like to know how he had the audacity to question the wisdom of the action of Mr. Montagu Norman of the Bank of England and Mr. Morgenthau of the U. S. A. Federal Reserve Banking System.

THE HONOURABLE THE PRESIDENT : Surely at the third reading you cannot ask the Honourable Member to give any such explanation. I overrule it.

Motion moved :

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR REGINALD MAXWELL (Leader of the House) : Sir, I suggest that the House should next meet on Friday, the 5th April, when the National Service (European British Subjects) Bill will be taken up for consideration.

The Council then adjourned till Eleven of the Clock on Friday, the 5th April, 1940.
